

A Study of Centrally Sponsored Consumers' 'Cooperative Stores of Jammu & Kashmir

**THESIS SUBMITTED FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY
IN COMMERCE**

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INTRODUCTION

Consumer Cooperatives have received universal recognition both in the socialist as well as the capitalist countries. They are counter-vailing force in the monopoly ridden economic setting of capitalist countries as they dispense with the irrationalities of commodity distribution circuit; while in the socialist countries they are the mainstreams of socialist way of life. In India, consumer cooperatives have been perceived only as commodity distribution agencies during the periods of stresses and strains. Recently consumer cooperatives have been recognised as a potent source of economic and social development.

THE PROBLEM :

In consonance with the above objective a modest programme for the development of consumer cooperatives has been envisaged in the Third Five Year Plan. But, in the wake of Chinese aggression in 1962, a comprehensive programme under the Centrally Sponsored Scheme for the establishment of a wide-spread net-work of consumer cooperatives has been launched for equitable distribution of consumer goods at fair prices. Since then, an increasing emphasis has been laid on strengthening the consumer cooperatives so as not only to hold the price line, but also to establish the 'ethics of retailing'. As a result of the organisational and promotional measures adopted since 1962, a broad institutional frame work of consumer cooperatives

has been built up. These efforts have made it possible to set up by the end of June, 1969, over 14,000 primary consumer cooperatives, 371 Central/Wholesale consumer cooperatives, 14 State Federations of consumer cooperatives and the National Cooperative Consumer's Federation. Besides, consumer cooperatives have also been established in 30 Universities. Quantitatively, this achievement appears to be quite impressive, but qualitatively, it has failed to make its impact felt either in the commodity market or in the life of the common man. The revelations made by the reports of the various study groups, on their functioning are most disquieting and it appears that the movement is fading away. Amidst these observations, the relevance of the study of Centrally Sponsored Consumers' Cooperative Stores of Jammu and Kashmir emanates from the minimum operational significance of generalised conclusions, owing to the wide regional variations in the socio-economic settings, which explain the efficiency differentials among consumer cooperatives operating in different regions of the country.

SCOPE AND PURPOSE OF ENQUIRY :

The scope of this enquiry ranges from the pure theoretical foundations of the consumer cooperation to an intensive study of the functioning of Centrally Sponsored Consumers' Cooperative Stores

in the State of Jammu and Kashmir. As a matter of fact, there was a complete absence of consumer cooperative activity before the introduction of this scheme in the State. Indeed, even after the introduction of this scheme, consumer's cooperation did not emerge as an independent movement, till the establishment of Srinagar Cooperative Wholesale Store Limited Srinagar in October 1965. Hence, this enquiry is confined only to the short period viz; from 1965-66 to 1969-70. Srinagar Cooperative Wholesale Store Limited has been selected for comprehensive enquiry because of its location in the biggest urban centre of the State and also due to its longer stay in comparison to other Stores operating in the State. The choice of the State of Jammu and Kashmir for conducting this enquiry has been made on account of its peculiar socio-economic setting. Some of the important economic features distinguishing this State from rest of the country are : the M-M position of the village trader, poor spread effects of urban areas on the socio-economic rural life, immature urbanisation and the consequent strengthening of commercial activity in the urban areas, relative isolation of the state due to physio-geographical factors, out-pacing of primary and secondary sectors by the tertiary sector of the economy and relatively higher level

of socialised consumption. These characteristics coupled with its being a big tourist attraction make the economy more prone to inflation and susceptible to the nefarious activities of the trader and hence the need for the establishment of consumer cooperatives in order to safeguard the interests of the consumers is imperative. The studies conducted so far by the various institutions to evaluate the working of consumer cooperatives in the country, have not made any reference to the operations of these institutes in the State and this has also prompted the author to undertake the present study. It is believed that the observations made and the conclusions arrived at, on the basis of this enquiry, shall be helpful in devising suitable measures so as to make the consumer cooperatives as viable organisations in the State, as well as in the country.

RESEARCH METHODOLOGY :

Throughout this study conclusions have been tested scientifically by deductive and inductive methods to ensure the soundness of the approach. The available data have been analysed through the application of various statistical methods combined with economic reasoning. Frequent use has also been made of the management principles to assess the working of the cooperatives. Both types of data-primary and secondary- have been used judiciously in the course of this enquiry. The major

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sources of secondary data have been the publications of Planning Commission, Reserve Bank of India, Ministry of Food, Agriculture, Community Development and Cooperation, Government of India, National Cooperative Union of India, National Cooperative Consumer's Federation, National Cooperative Development Corporation, Cooperative Department, Government of Jammu and Kashmir and the publications of other Departments of the State Government. In addition to these, the secondary data have been procured from various journals, reports, mimeographs etc. The primary data have been collected by the scholar from the office records of the Managers of the seven out of nine Wholesale Consumer Cooperative Stores in the State. Besides, knowledgeable information has been collected through the discussions with the Stores' members as well as non-members and also the members of the Board of Management. The discussions with the Staff of Wholesale Stores have also been extremely informative. Old records of the Office of the Registrar, Cooperative Societies, Government of Jammu and Kashmir have also unfolded many hitherto unknown facts.

In accordance with the objectives, scope and methods of enquiry, the study has been designed into the six chapters.

Chapter - I :

Provides the background information regarding the trends in J&

and reveals that in spite of the multidimensional change in the economy, the social factor productivity continues to be low. It also discloses that these changes in their totality of influence have proliferation effect on consumption habits and expenditure. It, therefore, suggests the organisation of economic activity along the cooperative lines to enhance the productive capacity through the participation of the common man in the development plans of the State which would also minimise the constraints in the ^{Commodity} distribution sector of the economy.

In order to determine the authenticity as well as usefulness of cooperative organisation of the economy as suggested in the first chapter, the second chapter is devoted to the study of the Principles of Cooperation and analysis of the development problems of the cooperative sector. The study signifies the varying form and level of development of cooperative activity in the different sectors and regions of the State. It also reveals the increasing State control over the movement due to its financial and organisational weaknesses. It, therefore, recommends the formulation of a judicious plan for the balanced regional and sectoral development of the cooperative activity. It particularly highlights the urgency of organising the consumer cooperatives not only to minimise consumers' distress but also to afford opportunities for savings out of their daily expenditure which in turn could be used for the economic development of the State.

Chapter III examines the rationale of consumers' cooperation in various types of economies and unveils its wholesome influence on social and economic activities of the people. It points out the stabilising influence of consumer cooperatives in the free market economies. It also establishes the identity of Cooperation with Socialism and hence considers it an effective institution to carry out the programme of socialist reconstruction. It assigns unique role to the consumer cooperatives in India to rationalise the commodity distribution system and also to change negative habits and attitudes of mind so as to develop human potentialities to the full. The study unfolds the hazy performance of the consumer cooperatives and outlines the methods for successful implementation of Centrally Sponsored Consumers' Cooperative Scheme launched in 1962.

In chapter IV the genesis and working of the Centrally Sponsored Consumers' Cooperative Scheme have been studied. It stresses that mere quantitative achievements in having covered 14 per cent of the population and handled 7 per cent of the retail trade in the areas of their operation do not make them viable and efficient organisations. The operational inefficiency of consumer cooperatives is increasing which is the source of disillusionment to the masses with the movement. To overcome the dissatisfaction of the people it is recommended that regional studies be made to examine the problems and prospects of the

consumer cooperatives functioning in the different parts of the country.

Chapter V makes a detailed study of the working of the consumer cooperatives in Jammu and Kashmir State and also examines the state of affairs of the Srinagar Cooperative Wholesale Limited, Srinagar. It has been noted that the inefficient and ineffective functioning of the consumer cooperatives in the State is due to deficiencies and discrepancies in their structure, organisation and management. These lapses have caused an erosion in the viability of the Srinagar Cooperative Wholesale Limited. The case study of Srinagar Cooperative Wholesale Store Limited unveils that the operational expenses of the Store are higher than the gross profit earned by it and as a result losses incurred by the Store have accumulated to an amount greater than its share capital. This in turn is due to small and ineffective membership, low level of sales coupled with high local purchases, defective buying, selling and price policies, with consequent inefficient and high cost of management. The inadequacy of capital, lack of motivation on the part of management as well as members and the fierce competition from the private trader are other growth limiting factors. The urgency of reforms in the organisational set up of the Store to make it economically viable are, therefore, imperative.

To suggest measures of reform chapter VI concerns itself to the organisational and operational techniques of the consumer cooperatives. It recognises the bearing of multiplicity of

factors on the effectiveness of the consumer cooperatives as an economic enterprise and also as the disseminator of social philosophy of cooperation. To achieve the proficiency in management the introduction of financial planning, adoption of budgeting techniques, rationalisation of purchasing and selling operations, promotion of information campaigns, establishment of State level consumer cooperative organisation are the main recommendations of the study. To infuse new blood in the movement, the Amendment in the Cooperative Act, of Jammu and Kashmir restricting the term of the office bearers has been welcomed. Further, the institution of 'balanced boards' in which diversified talents are represented is essential for the success of the movement.

Finally, this study evinces the significance of consumer cooperatives as the harbinger of new social and economic order. The ultimate analysis lends support to the view that the organisation and management of the Consumer Cooperatives on the lines indicated in the thesis would not only make them viable units but they would also be source of economic growth to the State of Jammu and Kashmir. In their sound development lies the hope of the emergence of new order of the socialist pattern of our society. It may be cautioned here that if Consumer Cooperatives would fail, these would fail the best hope of India.

CHAPTER - I

RECENT TRENDS IN JAMMU AND KASHMIR ECONOMY

The State of Jammu and Kashmir with its picturesque natural setting and varied climate, viz. the sub-tropical, the temperate and the arid, coupled with its multiracial, multilingualistic and multireligious character is, not only one of the largest States of the Indian Union but, is also one of the poorest States with per capita income of Rs.208.32 as against an all-India average of Rs.321.3¹ at 1960-61 prices, for the year 1967-68. However, a very portentous change has occurred in the State after 1947, particularly due to the establishment of democratic set up of the government and its adoption of NAYA KASHMIR PROGRAMME. This change has a direct and close relationship between the contributory factors to the change that has occurred in the Economy and the change that has taken place in the consumption choices. In the following pages I have made an attempt to study the contributory factors, viz :

1. Population
2. Income and per capita income of the State
3. The structure of Jammu and Kashmir Economy
4. The level and pattern of the socialised consumption
5. Social mobility.

1. "Report on Currency and Finance for the year 1968-69" - RBI, p. 83.

1. POPULATION :

The population of Jammu and Kashmir State is estimated to have increased from 21.39 lakhs in 1901 to 44.23 lakhs in 1970-71 that is, 106 percent during the last seven decades as is evident from the following table :-

TABLE - I
GROWTH OF POPULATION (1901-1970-71)

Census	POPULATION			Growth Rate on adjusted population	Growth Rate in the Cen- sus Report	Percentage of urban to total popu- lation
	Rural	Urban	Total			
1	2	3	4	5	6	7
1901	1980614	158748	2139362	-	-	7
1911	2055411	237124	2292535	+7.2%	+8.7%	10
1921	2179330	245029	2424359	+5.8%	+5.1%	10
1931	2369296	300912	2670208	+10.1%	+9.8%	11
1941	2578796	367932	2946728	+10.4%	+10.3%	12
1961	2967661	593315	3560976	+20.8%	-	17
1970-71 ^a	-	-	4423000	-	-	-

SOURCE : (a) Census of India 1961, Vol.VI, Part-IA(1), General Report p.144, and 157;

(b) Projected Population, "Digest of Statistics, 1968-69, Directorate of Economics and Statistics, Government of Jammu and Kashmir, p.28.

The table-I indicates that decennial rate of growth of population which stood at 7.2 percent in 1911, dropped to 5.8 percent in 1921, however, it rose to 10.1 percent in 1931 and 10.4 percent in 1941. According to the Census office, the population of the State grew at the rate of 9.44 percent during 1951-61, which was much lower in comparison with 21.51 percent increase for all India.¹ This persistent low growth rate of population in the State is the cumulative effect of several factors operating simultaneously to retard the speed of multiplication of population. These include, among others, economic backwardness, natural calamities, absence of adequate medical facilities, disturbed political conditions and the cultural background of the persons living in the State. These factors have contributed to a lower birth rate and higher death rate which, stood at 30.8 and 23.2 per thousand respectively in comparison to 36.3 and 15.7 per thousand in 1960², for the country as a whole. Incidentally the death rate in the State in 1960 was the highest of all the States comprising the Indian Union.

Density of Population :

The State of Jammu and Kashmir with only 26 inhabitants per sq. km. as against 138 in India, is one of the most sparsely populated regions of the country which, is due to the concentration of the population in a small sector of area where cultivable land and irrigational facilities are available. Since the major part of the State's area is

1. Techno-Economic Survey of Jammu and Kashmir- NCAER, New Delhi, 1969, p.6 and 1

2. Ibid - p.8.

occupied by nude and barren mountains, hills, ravines and table lands where, even the growth of vegetation is ruled out, therefore, the density of population varies from place to place, depending upon the size and character of cultivable lands, irrigation facilities, climatic conditions, rainfall, industrial potentialities and other resources which provide avenues of livelihood. The table, given below reveals the wide spread district-wise variations in the density of population :

TABLE - 2
AREA AND POPULATION IN 1961 (District-wise)

State/District	Area in sq.kms.	Population	Density per sq.km.
Jammu and Kashmir	138992.1	3560976	26
Anantnag	5430.9	654368	121
Srinagar	3121.2	640411	205
Baramulla	6568.2	604659	92
Ladakh	97782.4	88651	1
Doda	11344.7	268403	24
Udhampur	4484.9	254061	57
Jammu	3233.8	516932	160
Kathua	2651.2	207430	78
Poonch	4374.8	326061	75

SOURCE: Census of India, 1961, Vol. VI Jammu and Kashmir,
Part IX, Census Atlas, Publication Manager, New Delhi, p. 36.

The table-2 reveals that the density of population in Ladakh and Doda districts with one and 24 persons per sq.km. respectively is lower than the State average of 26, whereas, the District of Srinagar with 205 persons per sq.km. has the highest density of population in the State. A close look on the table also reveals that the district of Ladakh with an area of 97782.4 kms. that is, 70.3 per cent of the total area of the State had only 88651 population that is, 2.5 per cent of the State population. It is interesting to note that if the area and population of the district of Ladakh are not included in above calculations, the density of population of the State increases to 84 inhabitants per sq.km. Another interesting feature that follows from the study of the table is that as many as 1899438 persons (53.44 per cent of the State population) are concentrated in three valley districts of Anantnag, Srinagar and Baramulla which extend to an aggregate area of 15020.3 sq.km. that is, 10.8 per cent of the total area of the State. Such a heavy concentration of population in these valley districts is because of the moderate altitude of the valley, its congenial and temperate climate, availability of fertile lands, adequacy of irrigation facilities and better communications. Similarly, the district of Jammu which also enjoys better irrigation facilities and other concomitants for higher concentration of population, claimed 14.5 per cent of the State population with an area of 3233.8 sq.km. or 2.33 per cent of the total area of the State.

Another demographic feature of the State is the intercensal increase in the density of population in the areas where agriculture is the major occupation of the people.¹

1. Appendix - A.

Occupational Distribution :

According to 1961 census 15.24 lakh persons comprising only 42.79 per cent of the total population constituted the working force of the State and out of this, the male working force accounted for 37.77 per cent. The distribution of working force according to broad industrial categories was as follows :

TABLE -3

DISTRIBUTION OF WORKING FORCE (Industry-wise)

S.No.	Industrial Category	No. of workers (lakh)	Percentage of total workers
1.	Cultivators	11.53	75.70)
2.	Agricultural labourers	0.18	1.21) 76.91
3.	Mining, Livestock, forestry hunting etc.	0.26	1.67
4.	Household Industry	0.96	6.28)
5.	Manufacturing other than household industry	0.33	2.19) 8.47
6.	Construction	0.09	0.57
7.	Trade and Commerce	0.34	2.21
8.	Transport, storage and communications	0.13	0.87
9.	Other Services	1.42	9.30
	Total	15.24	100.0

SOURCE : Report on Industrial Potentialities of Jammu and Kashmir State - Development Commissioner Small Scale Industries; Ministry of Industrial Development and Company Affairs, Government of India, New Delhi 1967, p.8.

It is apparent from table-3 that an overwhelming majority constituting 76.91 percent of the working population of the State was engaged in agriculture and thus revealing the preponderance of agriculture as a source of earning the livelihood. These demographic

trends lead to the conclusion that amidst other factors, one of the most important reasons for low productivity of labour in agriculture is the greater conglomeration of people on limited land available for cultivation. Since, the physiographical structure does not permit the dispersion of population to the other areas, therefore, diversification of economic activity and the creation of institutional infrastructure to support such a programme is an urgent need of the day.

The Growth and Pattern of Urbanisation :

The growth of urbanisation in the State has been extremely slow between 1911 and 1941 as, the percentage of urban to total population increased from 10 in 1911 to only 12 in 1941. However, there occurred a sudden spurt in urbanisation between 1941 and 1961, whereby, urban population increased from 3.68 lakhs in 1941 to 5.93 lakhs and thus constituting 17 percent of the total population in 1961 (Table - 1). It is interesting to note that out of 43 urban centres in the State as many as 30 towns had less than five thousand population and there were only two towns with a population of more than one lakh forming 65 percent of the total urban population in 1961.¹ Another revelation is regarding the extremely small size of the villages as, out of 6559 villages in the State, as many as 4952 villages had a population of less than 500 persons while, 114 villages were having population in the range of 2000-4999, in 1961.²

1. Techno-Economic Survey of Jammu and Kashmir, NCAER, New Delhi, 1969, p. 181.

2. Ibid.

The study of rural-urban population distribution reveals that the spread effect of economic development of the urban centres is very slow, not only because of the large number of villages per urban centre (about 153) but, also due to the rugged and difficult terrain which makes the communication system expensive and inefficient.

The two conclusions from this demographic study are :

- (1) that the economic activity in the State has been dominated largely by peoples' struggle, to match the population rise, by a corresponding increase in the pressure on land and as a consequence, in the densely populated regions, there has occurred a gradual decline in the amount of land available per family and thus the precarious food balance for existence has been maintained by applying still more labour per unit of land.
- (2) that the State is demographically premature particularly, in relation to its urbanization which has occurred without industrialisation and adequate increase in agricultural productivity. Consequently, the urban areas are largely dominated by the commercial activity and this development of merchants capital is incapable by itself of promoting and explaining the transition from one mode of production to another. Rather, it impoverishes the mode of production, paralyses the productive forces instead of strengthening them and at the same time perpetuates the miserable conditions in which the social productivity of labour does not develop.

2. INCOME AND PER CAPITA INCOME OF THE STATE :

The State income has more than been doubled during the last eighteen years that is, it has increase from Rs.55.54 crores in 1950-51 to Rs.118.38 crores in 1968-69. However, the per capita income has registered only a rise of 58.74 per cent during this period that is, from Rs.188.41 in 1950-51 to Rs.299.09 in 1968-69. The following table-4 shows the trend of the State and per capita incomes from 1950-51 onwards at 1955-56 prices :

TABLE-4

**STATE AND PER CAPITA INCOME AT 1955-56 PRICES
(1950-51 to 1968-69)**

YEAR	State Income (Rs.Cr.)	Population (lakhs)	Per capita Income (Rs.)	Index No. of State Income with 1950-51(base)	Index No. of per capita income with 1950-51(base)
1	2	3	4	5	6
1950-51	55.54	29.48	188.41	100.00	100.00
1955-56	67.97	31.40	216.48	122.38	114.90
1960-61	86.04	34.06	252.60	154.92	134.07
1961-62	89.00	34.66	256.79	160.24	130.29
1962-63	91.27	35.28	258.70	164.33	137.31
1963-64	92.69	35.92	258.05	166.80	136.96
1964-65	94.83	36.58	259.24	170.74	137.50
1965-66 (Revised)	95.02	37.26	255.02	171.08	135.35
1966-67 (Revised)	106.57	38.02	280.30	191.88	148.77
1967-68 (Revised)	111.87	38.80	288.32	201.42	153.03
1968-69 (preliminary)	118.38	39.58	299.09	213.14	158.74

SOURCE: Digest of Statistics, Directorate of Economics and Statistics, 1968-69, Government of Jammu & Kashmir, pp.308-11.

It is evident from the above table that during the period 1950-51 to 1968-69, the State income has increased at an average annual growth rate of 6.28 per cent whereas, the per capita income during the same period grew at an average annual rate of only 3.26 percent. Inspite of such an impressive performance of the economy, the State income was only 0.004 percent of the National Income which, stood at Rs.27933 crores in 1967-68.¹

Despite, the higher rate of growth of income recorded by Jammu and Kashmir Economy, the per capita income in the State continues to lag far behind, the National average and keeping in view the extreme backwardness of the State, this gap is not likely to be bridged in the near future unless, some drastic measures of organisational and administrative nature, are adopted for the mobilisation of the resources.

3. THE STRUCTURE OF JAMMU & KASHMIR ECONOMY :

Highly significant structural changes of far reaching consequences have occurred in the State Economy since 1950-51, as is shown in the table -5 :

1. Fourth Five Year Plan (1969-74) - Draft, Government of India Planning Commission, p.28.

TABLE -3

SECTORAL DISTRIBUTION OF STATE INCOME AT 1955-56 PRICES
(1950-51 to 1968-69)

(Figures in P. Crores)

YEAR	Net Output of the State	S E C T O R S									
		Agriculture		Mining, & Small Industries		Manufacturing Industries		Communication and Transport		Other Services	
		Net	% of	Net	% of	Total	Net	% of To-	Net	% of	
		Output	Total NET OUTPUT	Out- put	Net Output	Net Output	Output	tal Net Output	Output	Total Net Out- put	
1	2	3	4	5	6	7	8	9	10		
1950-51	55.54	26.06	46.9	13.53	24.4	6.35	11.4	9.60	17.3		
1955-56	67.97	37.74	49.6	15.47	22.8	6.89	10.1	11.87	17.5		
1960-61	86.04	40.84	47.5	20.18	23.4	7.65	8.9	17.37	20.2		
1961-62	89.00	42.28	47.5	20.60	23.2	7.77	8.7	18.35	20.6		
1962-63	91.27	42.51	46.6	21.36	23.4	8.04	8.9	19.36	21.1		
1963-64	92.69	42.05	45.4	22.05	23.8	8.18	8.8	20.41	22.0		
1964-65	94.83	42.82	45.2	22.16	23.4	8.30	8.7	21.55	22.7		
1965-66 (Revised)	95.02	38.99	41.0	22.19	23.4	8.61	9.1	25.23	26.5		
1966-67 (Revised)	106.57	44.39	41.6	23.45	22.0	9.22	8.7	29.51	27.7		
1967-68 (Revised)	111.87	45.52	40.7	24.17	21.6	9.51	8.5	32.67	29.2		
1968-69 (Preliminary)	118.38	46.92	39.6	24.68	20.9	9.87	8.3	36.91	31.2		

SOURCE: Compiled by the Author on the basis of the Appendix -B.

It is apparent from the table -5 that in 1950-51 the percentage contribution to the State income from agriculture; mining, manufacturing and small industries; communication and transport and other services was 46.9, 24.4, 11.4 and 17.3 respectively. But by the year 1968-69 the percentage contribution to the State income from agriculture; mining; manufacturing and small industries, and communication and transport has declined to 39.6, 20.9 and 9.3 respectively while the percentage contribution from "other services" has recorded an increase to 31.2. Such a rapid expansion of tertiary sector unaccompanied with significant improvements in factor productivity in primary and secondary sectors of the economy, is inconsistent with the dynamics of growth for, it results in the distribution of income in favour of those classes whose marginal propensity to consume is quite high which in turn, reduces the marginal saving ratio and this acts as a constraint on the emergence of a self-sustained economy. Consequent upon, the strengthening of propensity to consume, such changes as have occurred in the structure of Jammu and Kashmir Economy, make it more prone to inflation which is, yet another constraint on rapid growth with stability. In brief, these are undesirable structural changes^{and} need to be corrected by diversifying the economic activity and making the economy more broad based. An attempt is made in the following pages to telescope the structural changes and major development problems of the different sectors of the economy with the view to facilitate their solution.

A - Agriculture :

In spite of the relative decline in its contribution to the State income, agriculture still continues to occupy the prime position both as a major source of the State income and also as an employer of 77 percent of the total working force of the State. It appears that due to the limited resource endowments of the State, agriculture would continue to be the predominant sector of the economy in the years to come and, therefore, improvements in its productivity would continue to be the prime concern of the development efforts. A study of some of the major development problems of agriculture has been made along the following lines:

Land Utilization Pattern :

Owing to the physico-climate factors, major part of the State area is unfit for human habitation and, therefore, people have been forced to settle and earn their livelihood from the limited land suitable for agricultural operations. In 1965-66, the net area sown was only 5 percent of the total surface area of the State, however, it formed 27.9 percent of the 'area according to the village papers.'¹ It should also be noted that there is a steady increase in 'net area sown' from 1517 thousand acres in 1955-56 to 1668 thousand acres in 1965-66. Further, there has also occurred a marginal increase in the proportion of net area sown to the total area that is, ^{from} 25.6 percent

1. Appendix - C.

in 1955-56 to 27.9 percent in 1965-66. This increase has been made possible by a decline in area 'under fallow lands other than current fallows' from 221 thousand acres in 1955-56 to 38 thousand acres in 1965-66, that is, a total reduction of 183 thousand acres. Since, only the area categorised as "fallow lands and cultivable wastes" which stood at 6.9 lakhs acres in 1965-66 can be harnessed with the help of existing technical know-how, for increasing the "net area sown", therefore, there are limited possibilities of extending the margin of cultivation. This also means that the availability of net area sown per capita which stood at 0.5 acres in 1965-66, is bound to decline further as a consequence of an increase in the population. It is thus apparent that endeavours to increase agricultural production essentially have to be along the quantitative as well as qualitative improvements in the farm and non-farm inputs.

Land Reforms, Size and Distribution of Holdings :

In Consequence with the objective of creating a just and dynamic rural society, the Government has adopted several land reform measures envisaging, the removal of impediments to greater production due to the agrarian system and the elimination of the elements of exploitation and injustice within the system, so as to provide security to the tiller of the soil and to assure equality of status and opportunity to all the sections of the rural population. With the view to get rid of institutional hang-over and to re-shape the rural life on new lines so as to secure a more equitable distribution of income, the Government

of Jammu and Kashmir, through various land reform enactments has sought to :

1. abolish the big landed estates, Jagirs and Mueflis;
2. apply a ceiling to holdings;
3. fix the term and rent of the tenure;
4. protect the tenants from ejectment, and
5. create the peasant proprietorship.

Consequent upon these land reform measures, the number of cultivators in 1961 has increased to 11.71 lakhs that is, 33 percent of the State population, in comparison to the year 1941, when the number of cultivators was estimated at 5.27 lakhs that is, 13.1 percent of the population.¹ Another encouraging feature of the agrarian position of the State is that the area under personal cultivation is about 67.5 percent of the total cultivated area and the rest that is, 32.5 percent is tenanted. Out of the tenanted area of 6.34 lakh acres, about half is under share cropping and half under cash rents in one form or the other.² Yet, another and perhaps the most disturbing revelation is that 52.4 percent of the proprietors hold only 11.7 percent of the total owned areas which falls in the "size of holding group" of less than one acre.³ A further study reveals that 71 percent of the owners occupy 23.6 percent of the total area and their size of holding is less than two acres, whereas 0.06 percent of the owners hold 14 percent of the area with the size of holding of more than 22.75 acres.

1. Report of the Land Commission, Government of Jammu & Kashmir, 1968, pp.11-16.

2. Ibid, p.27.

3. Appendix -D.

The conclusion, therefore, is that in spite of the various legislations the problem of land inequalities still is grave and the preponderance of small size holdings makes the conditions much worse. The existing palpably low size of the holding is further in the process of diminution owing to the Laws of inheritance and other factors causing fragmentation and subdivision of holdings. It is, therefore, suggested that in order to make agricultural activity a profitable venture, the size of the 'floor holding' be determined and the cultivation below that size of the floor holding, be discouraged.

Cropping Pattern :

In the State where the net area sown constitutes only 27.0 percent of the total area, where 32.5 percent of the proprietary land is tenanted of which half is held on share cropping, where 77 percent of the working force is engaged in agriculture and where 81 percent of the proprietary holdings are less than the size of 3 acres, the struggle for existence and the inefficiency of land utilisation are too well marked to be disputed. Consequent upon these conditions, the cropping pattern in the State exhibits the characteristics of subsistence agriculture as is evident from the following tables:

TABLE -6

CROPPING PATTERN IN THE STATE
1955-56 to 1965-66

Particulars	1955-56	1960-61	1965-66
1. Area under food grains as a percentage to the total area cropped	89.5	90.8	89.0
2. Area under non-food crops as a percentage to the total area cropped	10.5	9.2	10.1
3. Area under cereals as a percentage to the area under food crops	88.4	90.0	90.5
4. Area under pulses and millets as a percentage to the area under food crops	11.6	10.0	9.5
5. Area under vegetables and fruits as a percentage to the area under non-food crops	22.5	27.6	25.5
6. Area under oilseeds as a percentage to the area under non-food crops	48.2	42.7	44.8
7. Area under other cash crops as a percentage to the area under non-food crops	29.3	29.7	29.7

SOURCE : Compiled by the author on the basis of the statistics given in Appendix-E.

It follows from the table-6 that not only a very high percentage of total area is under food crops but it has also shown a slight upward movement from 89.5 percent in 1955-56 to 90.8 percent in 1960-61 and stood at 89.9 percent in 1965-66. Further, area under cereals formed 90.5 percent of the area under food grains in 1965-66 as against 88.4 percent in 1955-56. This study clearly indicates the domination of food crops particularly the cereals in the cropping pattern and thereby reveals the subsistence nature of State's agriculture. Area under non-food crops as a percentage to the total area cropped declined from 10.5 in 1955-56 to 9.2 in 1960-61 but, it rose to 10.1 in 1965-66. It is, however, encouraging to note that area under vegetables and fruits as a percentage to the area under non-food crops has increased from 22.5 in 1955-56 to 25.5 in 1965-66. It is suggested to effect a substantial diversification in the cropping pattern so as to make agriculture a profitable enterprise. There are distinct possibilities of developing horticulture on modern lines and similarly the beet culture can also be extended to valley with advantage. In fact, a rational cropping pattern through the introduction of judicious crop rotations alone can ensure efficient utilisation of limited production resources at the disposal of the farmer.

Agricultural Production and Productivity :

In recognition of the crucial importance of agriculture to the State Economy, a massive planned programme of varied and manifold nature involving substantial increase in expenditure has been undertaken since 1950-51, as is evident from table -7.

TABLE - 7
EXPENDITURE ON AGRICULTURE
(1950-51 to 1969-74)

(% in lakhs)

PERIOD	Total expenditure incurred in the period	Expenditure incurred on agriculture	Average annual expenditure	Expenditure on agriculture as a percentage the total expenditure
1	2	3	4	5
First Five Year Plan	1151.71	88.98	17.80	7.7
Second Five Year Plan	2594.75	627.13	125.43	24.1
Third Five Year Plan	6185.09	923.97	184.79	14.9
1966-67	1692.24	264.77	264.77	15.6
1967-68	2043.03	461.11	461.11	25.5
1968-69	2293.26	551.56	551.56	24.0
Fourth Five Year Plan	14500.00	3045.00	609.00	23.2

SOURCE : Compiled by the author on the basis of Appendix-F. The figures for the Fourth Five Year Plan have been taken from Fourth Five Year Plan 1969-74, Draft, Govt. of India Planning Commission, p.65.

The figures given in table-7 exhibit a tremendous increase in average annual expenditure from a paltry amount of Rs.17.80 lakhs during the First Five Year Plan to Rs.551.56 lakhs in 1968-69 while, the annual average of the stipulated expenditure during the Fourth Five Year Plan is still higher and stands at Rs.609.00.

Various institutional and administrative arrangements such as land reforms, community developments and cooperative organisation to create institutional infrastructure, have been adopted. A vigorous programme of making available improved inputs like fertilizers and manures, better varieties of seeds, plant protection measures and improved agricultural implements has been undertaken. The programme of agricultural development also included land development measures for agricultural purposes such as soil conservation, reclamation and extension of major, medium and minor irrigation facilities. Besides, a number of fiscal measures such as abolition of land revenue on uneconomic holdings have been taken to enhance agricultural production in the desired direction.

It is encouraging to observe that the percentage of beneficiaries from the improved agricultural practices among the cultivators was 60 during the Kharif and 47.4 during the Rabi seasons of 1964-65 and this response was better than Assam, Kerala and Orissa.¹ Consequently, the State was ranked ninth among all the States of Indian Union on the basis of the combined score for the three scientific practices viz. improved seed, chemical fertilizers and improved cultivation practices.² The following table shows the percentage of cultivators adopting the improved agricultural practices:

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1. "Regional Variations in Social Development and Levels of Living"-
A study of the Impact of Plan Programmes. PEO Planning Commission,
Government of India, Vol. II, p.45.
 2. Ibid, p. 48.

TABLE - 8

PERCENTAGE OF CULTIVATORS ADOPTING IMPROVED AGRICULTURAL PRACTICES DURING 1964-65.

Type of the Agriculture Practice	Percentage of Cultivators	
	Kharif	Rabi
1. Improved seeds	27.8	23.7
2. Chemical Fertilizers	24.0	9.9
3. Both improved seeds and chemical fertilizers	11.2	4.4
4. Improved Cultivation Practices	42.0	21.6
5. Green Manure	1.2	1.5
6. Chemical Pesticides	3.0	7.7
7. Improved Implements	10.0	22.4

SOURCE : Compiled by the author on the basis of the Table Nos. IV and V in "Regional Variations in Social Development and Levels of Living" - A study of the Impact of Plan Programmes, PEO, Planning Commission of India, 1968, Vol.II, pp. 49-54.

Table-8 indicates that the percentage of cultivators using improved seeds, chemical fertilisers and improved cultivation practices during Kharif was 27.8, 24.0 and 42.0 respectively, but the percentage of cultivators using both improved seeds and chemical fertilisers was only 11.2 in 1964-65. However, the response of cultivators to the technical programmes for increasing agricultural production during Rabi was not encouraging as, only 4.4 percent of the cultivators have used both improved seeds and chemical fertilisers.

It is heartening to note that the percentage of area under the rice and wheat covered by the improved agricultural practices was quite satisfactory as is evident from the table-9.

TABLE -9 -

PERCENTAGE OF AREA UNDER DIFFERENT CROPS COVERED BY
IMPROVED AGRICULTURAL PRACTICES (1964-65)

Type of Agri- culture Prac- tice	Paddy		Wheat		All Crops
	Kharif	Rabi	Kharif	Rabi	
1. Improved Seed	36.4	-	-	22.2	30.4
2. Chemical Fertilisers	32.0	-	-	7.5	21.6
3. Improved Cultivation Practices	64.7	-	-	29.3	-
4. Both improved seed and chemical fertilisers	6.5	-	-	5.2	5.9

SOURCE : Compiled by the author on the basis of the information given in "Regional Variations in Social Development and Levels of Living"- A Study of the Impact of Plan Programmes, PED, Planning Commission of India, 1968, Vol.II, pp.58 and 59.

The Table-9 very clearly reveals that the percentage of area under paddy covered by different improved agricultural practices is quite encouraging, but the percentage of area under paddy, wheat and all crops covered by the combined improved agricultural practices is extremely low as it stands at only 6.5, 5.2 and 5.9 respectively. This observation reveals that there is an immense scope for intensification of cultivation to affect an increase in agricultural production and productivity.

Apart from the efforts made to introduce the improved agricultural practices, irrigation facilities have also been extended to an area of 7.43 lakhs acres in 1965-66 as is shown in the following table :

TABLE -10
AREA UNDER IRRIGATION

YEAR	Source of Irrigation				Net irri- gated area	(in lakhs acres)		
	Govt. canals channels	Pri- vate canals	Wells	Others		Gross irriga- ted area	Net area sown	Net irrigated area as a per- centage to net area sown
1	2	3	4	5	6	7	8	9
1950-51	0.93	5.10	0.08	0.33	6.44	6.51	-	-
1955-56	1.36	5.49	0.06	0.25	7.16	7.38	15.17	47.2
1960-61	1.54	4.79	0.12	0.32	6.77	7.62	16.32	41.7
1965-66	1.50	5.17	0.02	0.19	6.88	7.43	16.89	41.2

SOURCE : Digest of Statistics, 1968-69 Directorate of Economics and Statistics Government of Jammu & Kashmir, 1970, pp.60-61.

The table-10 indicates that there are only marginal variations in net irrigated area whereas gross irrigated area has increased significantly but, net irrigated area as a proportion of net area sown has exhibited a diminishing trend that is, it has declined from 47.2 percent in 1955-56 to 41.2 percent in 1965-66. The observation made in the Techno-Economic Survey (p.25) that "with a total outlay of Rs.6.90 crores during the three Plan period, an irrigation potential of 53000 hectares was created, but the actual increase in irrigation by government sources has been only of the order of 23000 hectares" needs a very serious consideration on the part of the government so that this irrigation potential is not frittered away.

Consequent upon the various development efforts made over these years, the percentage of double cropped area to the "net area sown" showed a remarkable increase in as much as, it rose from mere 4.2 percent in 1950-51 to 20.4 percent in 1961-62. The table-11 gives the comparative standing of the State among the other States of Indian Union in relation to the intensification of cultivation :

TABLE -11

INTER-REGIONAL VARIATIONS IN RESPECT OF DOUBLE CROPPED AREA
AS PERCENTAGE TO NET AREA SOWN - (1950-51 to 1961-62)

STATE	YEAR	STATE VALUE
1. Andhra Pradesh	1955-56 1962-63	8.9 10.3
2. Assam	1950-51 1963-64	16.2 17.8
3. Bihar	1950-51 1962-63	22.1 32.8

(Table-11 Contd.)		
STATE	YEAR	STATE VALUE
4. Gujarat	1955-56 1961-62	4.3 5.9
5. Jammu and Kashmir	1950-51 1961-62	4.2 20.4
6. Kerala	1955-56 1962-63	19.0 21.8
7. Madhya Pradesh	1950-51 1963-64	9.8 13.4
8. Madras	1950-51 1961-62	14.0 18.7
9. Maharashtra	1950-51 1961-62	N.A. 5.8
10. Mysore	1955-56 1962-63	3.5 3.1
11. Orissa	1955-56 1963-64	7.8 20.7
12. Punjab	1950-51 1962-63	18.4 22.2
13. Rajasthan	1955-56 1963-64	9.4 7.2
14. Uttar Pradesh	1950-51 1962-63	23.0 27.0
15. West Bengal	1950-51 1962-63	18.8 17.4

SOURCE : " Regional Variations in Social Development and Level of Living"- A Study of Impact of Plan Programme, PED Planning Commission, Government of India, 1967, Vol.I, p.65-66.

The study of table-11 unfolds perhaps the most important redeeming feature of the State agriculture that is, the intensification of cultivation in the State has increased by slightly less than five times in 1961-62 over 1950-51 and this rate of rise was unmatched by any other State of the Union. As a result of the overall picture that emerged in 1961-62 the State was placed fifth in the rank in the country in respect of intensification of cultivation.

Owing to these development efforts the value of output per hectare of net sown area has increased from ₹.296.0 in 1951-52 to ₹.441.0 in 1962-63, as is apparent from the following table :

TABLE -12
VALUE OF OUTPUT PER HECTARE

		(in ₹. lakhs)	
STATE	YEAR	Value of Output per hectare	Value of Output per capita
1. Assam	1950-51	692.0	130.0
	1963-64	760.0	113.0
2. Gujarat	1955-56	185.0	135.0
	1963-64	318.0	177.0
3. Jammu & Kashmir	1951-52	296.0	61.0
	1962-63	441.0	83.0
4. Kerala	1960-61	1074.9	131.4
	1962-63	1116.9	136.3
5. Madhya Pradesh	1955-56	237.0	130.5
	1962-63	344.0	165.4
6. Madras	1950-51	323.2	50.7
	1961-62	448.2	86.9
7. Maharashtra	1955-56	414.2	147.3
	1962-63	370.5	164.6

(Table-12 Contd.)

STATE	YEAR	Value of Output per hectare	Value of Output per capita
8. Orissa	1955-56 1963-64	199.2 421.2	66.3 182.6
9. Punjab	1950-51 1962-63	310.0 446.0	130.7 156.7
10. Rajasthan	1955-56 1962-63	77.5 81.5	51.0 53.3
11. U.P.	1950-51 1962-63	436.8 524.8	117.2 117.6
12. West Bengal	1950-51 1962-63	600.1 614.9	114.8 91.3

SOURCE : " Regional Variations in Social Development and Levels of Living"- A Study of the Impact of Plan Programme, PED, Planning Commission Govt. of India, 1967, pp.69-72.

It follows from the study of table-12 that the value of output per hectare as an indicator of the real impact of the intensification of agriculture through double or multiple cropping and introduction of improved methods of agriculture is favourably comparable with many States and this gives an optimistic view of the performance of the Jammu and Kashmir Economy. The value of output per hectare in Jammu & Kashmir Economy in 1962-63 was greater than Maharashtra with 370, Gujarat 318, Madhya Pradesh 344, Orissa 421 and Rajasthan 81.5. However, the study of the value of output per capita reveals a discouraging

phenomenon of extremely low value of Rs.83.0 only in 1962-63, which was one of the lowest in the country. The over riding conclusion is that strenuous endeavours must be made to maximise the intensification of land, for enhancing the per capita value of output from agriculture as there are only limited possibilities of extending the margin of cultivation.

A comparative study of the yield per acre of some selected crops clearly reveals the immense potentialities of raising the agricultural output per acre and per capita through intensification of cultivation, as is shown in the Table-13.

The Table-13 reveals that out of the three major cereals (rice, maize and wheat) grown extensively in the State, the yield of rice was higher than the all-India average whereas in respect of the other two cereals, the State yields were substantially lower than the all-India

TABLE -13
AVERAGE YIELD OF SELECTED CROPS (1963-64)

Name of the Crop	(Kgs. per hectare)				
	All-India	Jammu & Kashmir	Uttar Pradesh	Punjab	Himachal Pradesh
Rice	1036	1119	754	1157	826
Wheat	731	610	693	1204	729
Maize	993	793	716	1386	1410
Barley	734	1233	700	778	448
Small Millets	440	632	546	667	-
Gram	480	333	548	531	333

(Table-13 Contd.)

Name of the Crop	all-India	Jammu & Kashmir	Uttar Pradesh	Punjab	Himachal Pradesh
Other Pulses	342	429	475	441	273
Seasamum	183	375	199	350	-
Rapeseed & Mustard	299	615	323	210	333
Linseed	189	600	161	182	-
Potato	6306	2285	4581	5217	2314
Chillies	627	1583	366	795	250

SOURCE : TECHNO-ECONOMIC SURVEY OF JAMMU & KASHMIR, p.187.

average. However, the yields of oil seeds were uniformly higher than the all-India average as well as the neighbouring State of Punjab but since the area under oil seeds was very low, their impact on overall agricultural incomes was insignificant. It appears that a judicious pattern of cropping has the potential of obtaining more output from the land as the output is much lower than what the land, if properly husbanded is capable of yielding.

The recent trends in the production of food grains present a disquieting picture as the production after having touched the peak of 95.74 lakh quintals in 1964-65 did not catch up this maxime in the subsequent years, as is evident from the table-14 :

TABLE-14

PRODUCTION OF FOOD GRAINS
(1964-65 to 1968-69)

(in lakh qts.)	
YEAR	PRODUCTION
1964-65	95.74
1965-66	56.00
1966-67	85.69
1967-68	94.59
1968-69	92.26

SOURCE : Compiled by the author on the basis of the information given in "Digest of Statistics"- Directorate of Economics and Statistics, Government of Jammu & Kashmir, 1968-69, p.53.

It is obvious from the above table that in 1965-66, a very substantial decline in the food output has occurred mainly because of Indo-Pak hostilities and, therefore, it can not be considered very seriously for determining the production trend. However, the production of food grains recorded a big increase in 1966-67 and 1967-68 in comparison to 1965-66, but in 1968-69 the production of food grains has again failed to maintain the rising trend. These oscillations in the food grains output are unexplainable particularly in view of the increased investments in the agricultural sector during these years. I am, therefore, inclined to conclude that firm and permanent changes leading to self-sustained growth yet have not taken place in the agricultural sector of Jammu and Kashmir economy.

In spite of strenuous endeavours for the development of agriculture, the State has continued to be in deficit with respect to the food supplies and as a result has to depend upon the supplies of food grains from other parts of the country to meet its food-grain requirements. The Table No.15 reveals the extent of imports of food grains made since 1950-51.

TABLE -15
IMPORTS OF FOOD GRAINS

(in '000 Qtls.)				
YEAR	RICE	WHEAT	MAIZE	TOTAL
1950-51	n.a.	n.a.	n.a.	260.52
1955-56	382.57	22.02		404.59
1960-61	221.33	167.96	18.66	407.95
1965-66	587.39	1561.05	23.28	2171.72
1966-67	571.41	948.01	-	1519.42
1967-68	349.94	664.00	-	1009.94
1968-69	345.70	865.83	-	1201.53

SOURCE: "Digest of Statistics"- Directorate of Economics and Statistics, Government of J&K, 1968-69, p.92.

The above table shows that the imports of food grains were massive during 1965-66 owing to the disturbed conditions because of Indo-Pak hostilities, but even after the war, the level of imports though has declined, yet was very high considering the increase in food grains production. The explanations for such a phenomenon are

- (a) Increased demand for food grains due to increase in population;

(b) Change in the structure of demand in favour of superior cereals due to increase in per capita income and urbanisation.

Animal Husbandry

The livestock sector in the State had always been considered as an accident of sericulture rather than as an independent employment giving and income-generating economic activity. However, in 1961-62, contribution to the State income from animal husbandry amounted to Rs. 797 lakhs that is 8.5 per cent of the State income.¹

In 1961-62, the total livestock population of the State was four million that is, 1.21 per cent of the entire stock of the country². But it appears to have remained stationary between 1961 and 1966 as the number of total livestock in the State during 1966 was estimated at 40.79 lakhs³, that is, almost equal to the livestock population in 1961.

The number of milch animals per 1000 human population in the State was 87 cows 32 buffalows in 1961 as against 47 cows and 29 buffalows in the country⁴. But this advantage has been dissipated by the low annual milk yield of cows and buffalows which stood at 130 kgs. respectively for the country. Consequently, the daily per capita consumption of milk in the State amounted to 86 gms. whereas in the Punjab it was 418 gms., U.P. 234 gms., Rajasthan 231 gms.

1. Techno-Economic Survey of J&K, 1969, p. 39

2. Ibid, p. 40

3. "Digest of Statistics"- 1968-69, Directorate of Economics and Statistics, Government of Jammu & Kashmir, 1970, p. 108.

4. Techno-Economic Survey of Jammu & Kashmir, 1969, p. 40.

while the average for the country was 149 cms.¹ There is thus an urgent need to improve the quantity and quality of the livestock of varied types so as to meet the growing demand for nutritive food both for vegetarians and non-vegetarians.

Forests:

Forests have been termed as the 'green gold' owing to their substantial contribution of about 17 per cent to the State income in 1960-61 as compared to only one per cent for the country as a whole. In addition to this, forests are a very important source of revenue to the State for, their contribution to the State revenue has increased from Rs. 49.66 lakhs in 1950-51 to Rs. 435.47 lakhs in 1968-69, however, the percentage share in the total revenue has declined from 12.0 in 1950-51 to 7.8 in 1968-69.²

In 1964-66, the total area under forests stood at 2107 sq.kms. which constituted slightly more than 1% per cent of the State's total landarea but, if Ladakh is excluded from these calculations, the percentage of area under forests was about 50. However, nearly 60 per cent (12583 sq.km.) of the forest area was uncommercial in 1964-65 and, therefore, the State was able to exploit only a small fraction of its total forest area.³ On per capita basis, the average forest area in the State is placed at 0.5 hectares against the national average of 0.16^h. The forests of the State constitute about

1. Ibid, p. 40.

2. Appendix- G

3. Ibid, p.53.

three per cent of the total area under forests in the country and the production of timber account for 6 per cent of the national average. Very recently, the Government of Jammu and Kashmir has asserted its resolve to progressively nationalise forests in the State with the view to harness the forest resources more elaborately and rationally. The task of nationalising the entire forest area is stupendous and hazardous; therefore, a phased programme should be evolved to make the policy of nationalisation of forests a success.

B- Industrial Sectors

The State of Jammu & Kashmir has been acclaimed by all, the world over, for some of its choicest and nicest handicrafts in the past, but the temperament of industrial development could not be built up and as a result industrialisation of this part of the country had remained extremely slow. In spite of the fact that the existence of such factors as salubrious climate, vast forest resources, high craftsmanship, potentially rich resources in certain fields and large demand for handicraft articles, offer opportunities to the growth and development of industries, the State till very recently has exhibited strange inertia towards any planned programme of industrial development. Many factors, such as limited natural resources, scarcity and inadequacy of imported raw materials and their high cost, inefficient, undependable and expensive system of transportation and communication, inadequate and irregular power supply, complete absence of viable entrepreneurial

class coupled with almost an absence of any industrial policy on the part of the Government, conspired together to inhibit the growth of industries in the State. However, now some impressions can be collected of the bold and determined endeavours to establish organised industrial units on modern lines. With the objectives of creating an atmosphere for the establishment of industries, the Government has set up J & K Minerals Ltd. as a corporation to execute the exploitation of mineral resources and implement the industrial scheme based on such resources. Another corporation named J & K Financial Corporation has been brought into existence to make available financial assistance to needy industrialists. The Jammu and Kashmir Industries Limited was set up in 1963, with the view to free the public sector projects from inefficiency and indecisiveness. Besides, the following Boards have also been constituted to formulate the policy for industrial development:-

(a) Industrial Development Board under the chairmanship of the Chief Minister.

(b) Small-scale Industries Advisory Board under the chairmanship of the Chief Minister.

(c) Industrial Planning Board under the chairmanship of the Chairman, Planning Board.

It is heartening to observe that owing to these measures, the State has started to emerge on the industrial map of the country as is evident from the following table-16.

TABLE - 16

**EMPLOYMENT IN THE REGISTERED FACTORIES IN
J & K STATE (1962 - 1968)**

YEAR	No. of registered factories	Total employment (average daily)	Average employment in Factory
1962	107	5482	51.2
1963	191	9860	51.6
1966	190	9023	47.4
1967	186	9864	53.3
1968	189	9640	51.6

SOURCE: "Digest of Statistics" 1968-69, Directorate of Economics and Statistics, Government of J&K, 1970, p.147.

The above table reveals a significant increase in the number of registered factories which stood at 191 in 1963 in comparison to 107 in 1962. This development gives the impression of having built up the momentum for industrial upsurge but, thereafter the number of registered factories has declined and thus presenting a static and hence deplorable picture as the emergence of organised industrial activity so vital for the growth of economy is being delayed at the cost of impending peril.

In addition to the registration of factories with the Chief Inspector of Factories, the factories have also been registered with Directorate of Industries and Commerce and their number stood at 529 in 1966. Besides these, there were seven more factories and thus the total number of factories operating in the State was 727

in 1966. Not only is the total industrial activity in the State at extremely low ebb, but structurally it is dominated by inefficient and low income generating household industries as is apparent from the following table-17.

TABLE -17
INDUSTRIAL STRUCTURE

TYPE OF INDUSTRY	(Net output percent)	
	Jammu & Kashmir	All States
A- Non-household:	40.7	83.1
i) Large	11.8	49.9
ii) Medium	2.9	7.4
iii) Small	26.0	25.8
B- Household	59.3	16.9
Total	100.0	100.0

SOURCE: Techno-Economic Survey of Jammu & Kashmir
National Council of Applied Economic Research,
1969- p.76.

It is obvious from the table-17 that the contribution of modern type industries is only 40.7 per cent in the State in comparison to 83.1 per cent in the country as a whole.

Small-Scale Industries:

Owing to the extremely low potential for the establishment of modern large sized manufacturing units, industrial development of the State essentially has to be along the path of the growth of small scale industries. The total number of registered small-scale units on 31 March 1966 was 740, however, only 570 units were found

effective and others (170 units) were taken as Uneffective.

Industrywise details of the effective units as in March 1966 were as given below

TABLE - 18

REGISTERED SMALL SCALE UNITS AND EMPLOYMENT
THEREIN (March 1966)

S.No.	INDUSTRY	No. of Units	Employment
1.	Wood	10	118
2.	Textile	18	297
3.	Chemicals	34	408
4.	Leather	6	44
5.	Food	10	335
6.	Metal-ware and Engineering	454	1943
7.	Others	38	331
TOTAL:		570	3476

SOURCE: "Industries in Jammu & Kashmir"- A Statistical Survey, Directorate of Industry & Commerce, Government of Jammu & Kashmir, 1966, p. 28.

The table above very clearly reveals the singular importance of metal-ware and engineering goods industries numbering 454 and offering employment to 1943 workers among the small-scale registered units.

The low level of employment in the small-scale units unfolds the urgency of strengthening this vital sector of Jammu & Kashmir economy by minimising the major impediments to their development.

The common needs of the small-scale industries are generally the imparting of training facilities and technical guidance regarding adoption of improved tools, machinery and new techniques, common service facilities, supply of raw materials and controlled commodities and power at reasonable rates, supply of adequate finance on fair terms, facilities for importing or purchasing machines, provision of factory accommodation and assistance for marketing of products.

In order to facilitate the development of the small scale industrial units the State Government has adopted various measures such as:

(a) Two raw material depots, one at Jammu and the other at Grinagar have been established to distribute the raw materials procured from the Government of India, to the registered units on the basis of rationing.

(b) Essentiality certificates are issued by the Government of India on the recommendation of the Directorate of Industries and Commerce in order to facilitate the imports of machinery and components.

(c) The Small Industries Services Institute has been established in the State by the Government of India to provide technical assistance. The Directorate of Industries and Commerce have also set up various centres and institutions to impart training, such as foot wear demonstration centre, fruit preservation centre, industrial training institutes, etc.

(d) Sources of finance have been expanded. Loans advanced under State aid to Industries Act amounted to Rs. 2.29 lakhs and the amount of loans sanctioned by Financial Corporation was Rs. 62.50 lakhs in

1968-69.¹ Other institutions rendering financial assistance to small-scale industries are the State Bank of India and the Scheduled commercial banks.

Industrial Estates:-

The programme of establishing industrial estates was launched during the Second Five Year Plan to accord facilities for development of small scale industries whereby entrepreneurs with small means could obtain developed plots or built sheds with all facilities of roads, water supply, drainage, electric power supply, etc. and avail of common service facilities therein. The industrial estates were designed to create the necessary climate and foster actively the development of industries and to affect dispersal of industries to rural and undeveloped areas in order to utilise the local resources and thereby to raise rural levels of improvement.

The number of units operating in the Industrial Estates was 65 offering employment to 843 workers and producing goods worth Rs. 56.56 lakhs in 1968.² The units functioning in the Estates were engaged in the production of various types of goods such as sewing machines, assembling, cricket bats, jams and canning of fruits, cutlery, guns, cables, wire nails, stainless steel utensils, buckets, handloom cloth etc.etc. There is a considered opinion that these estates were not functioning in accordance with the objectives laid down, therefore, it has been decided to consolidate

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1. Some Basic Statistics (1968-69) Directorate of Economics and Statistics, Govt. of Jammu & Kashmir, pp.45-46.
 2. Some Basic Statistics (1968-69) Directorate of Economics and Statistics, Govt. of J & K, p.47.

the achievements and consequently expansion of these Estates has been stopped. It is also apparent from the nature of industries established in the estates that a majority of the entrepreneurs were dependent on the imported or scarce raw materials and sometimes some of them even resorted to questionable methods to grab the benefits of scarcity price of raw materials. It is also observed that in most of the cases the finished goods had no market in the State and, therefore, had to be exported to markets outside the State. This will show that the small-scale industries were hardly integrated with the economy of the local area and as such were not likely to derive sustenance from or add strength to the local economy.

This brief industrial survey very clearly reveals not only the pronounced industrial backwardness of the State but also the insufficiency of measures adopted by the Government to accelerate the process of industrialisation. There is thus an urgency of designing a concrete programme for rapid industrial development so as to strengthen the production base of the economy particularly when the agricultural sector already is in doldrums.

4. THE LEVEL AND PATTERN OF SOCIALIZED CONSUMPTION:

With the democratic set up and the transformation of the functions of the State from those of merely maintaining law and order and defence to the welfare maximisation of the society, the process of choice making has become now more highly collectivized than formerly when the decisions regarding consumption on which the community's income was to be spent were taken by the functionaries

of the king. Magnitude of income captured by the State as revenue has increased beyond proportions from a meagre amount of Rs.412.20 lakhs in 1950-51 to a height of Rs.5560.99 in 1968-69. The Table -19 reveals the magnitude of the change in revenue along with the State income.

TABLE -19
CHANGE IN THE MAGNITUDE OF REVENUE
(1950-51 to 1968-69)

YEAR	State Income	Revenue	Revenue as %age to State income	Central Govern- ment Grant	(Rs. in lakhs)	
					Revenue without Central Govt. Grant.	Revenue without Central Govt. grant as %age to State Income
1950-51	5534.34	412.20	7.4	-	-	-
1955-56	6797.35	584.63	8.6	-	-	-
1956-57	7199.17	740.61	10.3	319.78	420.83	5.8
1960-61	8604.00	1572.41	18.3	314.44	1257.97	14.6
1965-66	9504.00	3167.27	33.3	1191.04	1976.23	20.8
1966-67	10657.0	4855.56	45.5	2502.02	2353.54	22.1
1967-68	11187.0	4575.30	40.8	2002.10	2573.20	23.0
1968-69	11838.0	5560.99	46.9	2301.73	3259.26	27.5

SOURCE: Compiled by the author on the basis of the information given in (a) Digest of Statistics, Directorate of Economics and Statistics 1968-69, Govt. of J & K, 1970, pp.284-88 and 302-311; (b) "Digest of Forest Statistics", J&K Forest No.1, Srinagar, 1969, p. 228-229; (c) Estimates of State Income 1950-51 and 1955-56 to 1958-59", Planning Department (Statistics Bureau), J&K State, 1961, p.3.

It is interesting to note from the table-19 that State revenue in 1968-69 was slightly more than the State income for the year 1950-51 and was about thirteen times higher than what it was in 1950-51. State income during this period has slightly more than been doubled and the State revenue as a percentage of State income had increased from 7.4 in 1950-51 to 46.9 in 1968-69. However, such a tremendous increase in the State Revenue was not exclusively due to the State efforts to mobilise the domestic resources as grants-in-aid from Central Government formed an important component of the State revenue constituting about 43.1 percent in 1956-57, 20 in 1960-61, 37.6 in 1965-66, 51.5 in 1966-67, 43.7 in 1967-68 and 41.3 in 1968-69. Thus, with the deduction of central government grant from the State revenue there occurs a substantial alteration in the relationship between State revenue and State income for instance, State revenue with central Government Grant was 10.3 per cent and without this grant 5.8 per cent of the State income in 1956-57. Similarly for the subsequent years, the State revenue with and without the Central Government grant as a percentage to the State income has exhibited wide variations.

Along with these changes, there has also occurred a tremendous change in State Revenue per capita during 1950-51 and 1968-69 as can be visualised from the table-20. The table reveals that the per capita revenue has recorded a ten times increase in 1968-69 over 1950-51 that is, it has increased from Rs. 14.00 in 1950-51 to Rs. 140.5 in 1968-69. Here again, grant-in-aid from the Central Government was responsible for a substantial rise in per capita revenue for instance, per capita revenue with Central Government grant was Rs. 46.1 and without it Rs. 36.9 in 1960-61.

TABLE -20

RELATIONSHIP BETWEEN THE STATE REVENUE AND STATE
POPULATION (1950-51 to 1968-69)

(in lakhs of Rs.)						
YEAR	Popula- tion	Reve- nue	Revenue per ca- pita	Central Govt. Grant	Revenue with- out Central Govt. Grant	Revenue without Central Govt. Grant(per capita)
1950-51	29.48	412.40	14	-	-	-
1955-56	31.40	584.63	18.6	-	-	-
1960-61	34.06	1572.41	46.1	314.44	1257.97	36.9
1965-66	37.26	3167.27	85.0	1191.04	1976.23	53.0
1966-67	38.02	4855.56	127.7	2502.02	2353.54	61.9
1967-68	38.80	4575.70	117.9	2002.10	2573.20	66.9
1968-69	39.58	5560.99	140.5	2301.73	3259.26	82.3

SOURCE: Compiled by the author on the basis of the information given in
(a) "Digest of Statistics"-Directorate of Economics and Statistics-
Government of J&K, 1968-69, p.284-288 and 300-311.
(b) "Digest of Forest Statistics"-J&K Forest Record No.1, Srinagar
1969, p. 228-229.

In the subsequent years, with the increase in Grants-in-aid from the Central Government, gap between per capita revenue with and without Central Government grant has widened considerably.

Consequent upon the increased capture of income by the State Government, its expenditure on public welfare programme has grown up considerably as is shown in the following table-21.

TABLE -21

**MAGNITUDE OF STATE EXPENDITURE
(1950-51 to 1968-69)**

(Rs. in lakhs)					
YEAR	Popula- tion	Total expendi- ture	Per capita expenditure	Expenditure on Social & Deve- lopment service	Expenditure on education
1950-51	29.48	430.48	14.9	-	36.73
1955-56	31.40	567.70	18.1	-	59.25
1960-61	34.06	1217.14	35.7	-	189.30
1965-66	37.26	3246.81	87.1	975.83	417.80
1966-67	38.02	4185.83	110.1	1190.40	528.35
1967-68	38.80	4342.71	111.9	1484.93	660.66
1968-69	39.58	5146.05	130.0	1586.02	780.97

SOURCE: "Digest of Statistics"-Directorate of Economics and Statistics
Government of Jammu & Kashmir -1968-69, p.280-293 and 302-311.

The above table reveals the remarkable expansion in the State expenditure from Rs. 430.48 lakhs in 1950-51 to Rs. 5146.05 lakhs in 1968-69 that is, about 11½ times increase in expenditure during the period. Similarly, per capita expenditure has also recorded a substantial rise from Rs. 14.9 in 1950-51 to Rs. 130.00 in 1968-69 that is an increase of slightly less than 9 times during the period. The noteworthy feature of the expenditure pattern is the tremendous rise in expenditure on social and development services from Rs. 975.83 lakhs in 1965-66 to Rs. 1586.02 lakhs in 1968-69. The expenditure increase of about 21 times on education between 1950-51 and 1968-69 has no parallel in the country and is, therefore, credit-worthy development.

Apropos, this magnitude of expenditure, there has occurred significant changes in those spheres which have a direct relationship with people's welfare. The number of villages electrified has increased from 15 in 1950-51 to 789 in 1968-69 which is 12 percent of the total number of villages in the State in comparison with 1 percent in Assam, 2 percent in Orissa, 2.9 percent in Madhya Pradesh, 4.0 percent in West Bengal, 6.0 percent in Rajasthan and 13 percent as an all-India average. Similarly, the road mileage has increased from 789 in 1950-51 to 4848.80 in 1968-69, and as a consequence the relative isolation of the villages has been reduced. This development has also tended to convert differentiated factor and commodity markets to a single integrated market. The number of medical units has risen from 247 in 1955-56 to 809 in 1968-69 and there has also increased the bed strength from 212 in 1955-56 to 4056 in 1968-69.

5. SOCIAL MOBILITY :

All these developments, taken together, have brought about a significant change in the structure of classes. The gulf between the disparate social groups which was very wide in Jammu and Kashmir society and has fitted into an inherited social stratification, characterized by inequality, exploitation and rigidity, is now being eliminated. Formerly, power was monopoly of the landed gentry of the upper classes and between them and others was a great, unbridged abyss. Social climbing and falling occurred most infrequently and with difficulty. The occupational role a person performed was a function of his class and his status in the society was a function of family origin.

Some of this still persists, but, especially after the establishment of Democratic Government, an enormous levelling process has operated. Education is more equally distributed and this has increased the number of channels for movement between classes in both directions. Avenues of employment are varied and are open to all without the distinction of sex, caste and creed and as a consequence, social coherence has been strengthened and social rigidities weakened. There is today greater 'social mix' between the urban and rural society. Consequently, the number of different classes has increased and with this the magnitude of distance between each sequential pair has declined and the cost of social mobility has diminished.

Impact on Consumption :

These changes are not isolated from one another but are intimately interrelated and have pronounced impact on the level and pattern of consumption. It would be impossible to establish any causal relationship between the change that has occurred and the consequent change in consumption, particularly when the data available are insufficient and scanty. However, an attempt has been made to present in the following pages a generalised relationship briefly.

It is held that an upward change in income would cause a similar change in consumption, but even this generalisation needs to be accepted cautiously as the alterations in income distribution may produce the contrary effects. Also, the incentive influence of a level of aspiration

income above actual income may be responsible for allocation of income to investment rather than consumption as has been pointed out by Richard S. Weckstein.¹ However, it may be conceded that an increase in income ceteris paribus invokes a positive change in consumption of varying degree. Therefore, it may be argued that some change in consumption standards has been caused in Jammu and Kashmir by the changes in State income and the per capita income.

It has been observed that the social status people have occupied in the past, the status they currently occupy and the status they aspire to occupy in the future have a powerful influence upon consumption choices. People often imitate the consumption styles of the class next above one's own, with the aspiration to climb the status ladder and this provokes to acquire goods or services that carry the prestige. Also, the class to which one belongs makes the individual to spend in ways consistent with their status, lest they fall on the scale and this also compels him in maintaining the required standards of consumption. The rich and dignified past of an individual may also strengthen his adherence to the old high consumption standards regardless of his current status. Thus, a change in social mobility has a vivid consumption enhancing effect. This has also been accentuated by the changes that have diminished geographic isolation and have aroused aspirations such as the enhanced communication facilities and spending styles of tourists. It would, therefore,

1. Weckstein, Richard S. "Welfare Criteria and Changing Tastes"- American Economic Review 1962, Vol.LII No.1, p. 133-153.

be reasonable to conclude that increased social mobility in the State has pulled the consumption standard upward. The progress of urbanisation, irrespective of its nature, normally raises the consumption standards as it affords an access to objects of expenditure that are not available in the rural areas. The consumption raising influence of urbanisation may also be due to the educative processes of advertising which is heavily concentrated in urban areas. Therefore, it may not be unfair to suggest that some improvement in the consumption standards has also occurred due to increased urbanisation.

Welfare maximisation programmes undertaken by the Government normally have the tendency of increasing the real incomes of the people as the free State services reduce the family expenditures to a fraction of what they would otherwise be. Since public consumption choices have profound influence on the structure of family consumption, therefore, it would not be amiss to suggest that in the wake of increased institutional choice making, consumption standards have also undergone a positive change in the State.

A study made by the Programme Evaluation Organisation confirms these observations, as can be seen from the following Table-22.

TABLE-22

PER CAPITA CONSUMPTION EXPENDITURE FOR A PERIOD
OF THIRTY DAYS

REGION	N.S.S. 14th Round	N.S.S. 18th Round
Jammu and Kashmir		
(a) Rural	23.75	27.42
(b) Urban	27.78	30.79
India		
(a) Rural	20.13	22.41
(b) Urban	28.06	32.81

SOURCE : "Regional Variations in Social Development and Levels of Living"- A study of the Impact of Plan Programmes, Planning Commission, Government of India, 1967, Vol.I, p.119.

The table above very vividly reveals that consumption expenditure in both, rural as well as urban areas, has recorded a rise in the 18th round over what it was in the 14th round. It is also heartening to note that expenditure in the rural areas of the State, according to the 18th round was higher than the all-India average of Rs.22.41.

CONCLUSION :

Despite multi-dimensional developments, the State of Jammu and Kashmir is one of the poorest States of the Indian Union. Under the existing circumstances there are meagre possibilities of raising the level of agricultural production by extending the margin of cultivation, therefore, the development in agriculture essentially has to be along the path of diversification of cropping pattern and intensification of cultivation. The industrial sector of the State's economy is also extremely weak and the possibilities of organising the modern large scale manufacturing units are scanty. Industrialisation can be possible through the evolutionary process of small-scale industries on cooperative lines. The growing relative importance of the tertiary sector in the economy at the cost of already weak commodity production sector has made the economy more prone to inflation. Hence, the need for strengthening the commodity production sector along the lines suggested is still more urgent. These developments coupled with the changes in socialised consumption and social mobility have altered the level and pattern of consumption. This necessitates the rationalisation of commodity distribution sector along the cooperative path so as to weed out the elements of exploitation prevalent in the existing system of commodity trade. The problem is not merely one of developing

resources in a narrow technical sense but of improving the quality of human capital through the institutional framework of Cooperative Organisation which is both Socialist and Democratic in its manifestations. In this context the next chapter deals with the Principles and Practice of Cooperation in the Jammu and Kashmir State.

CHAPTER - II

PRINCIPLES AND PRACTICE OF COOPERATION IN JAMMU AND KASHMIR STATE

It has been pointed out in the first chapter that to overcome the barriers of economic and social development the institutional framework of cooperative organisation in the State affords promise for the purposeful direction to the multidimensional process of growth. It is in this context that the present chapter has been devoted to the study of the Principles of Cooperation and Growth of the Cooperative Sector in Jammu and Kashmir Economy.

DEFINITION AND PRINCIPLES OF COOPERATION :

The two words "Co" and "Operation" constitute 'cooperation' and characterise it as an "association in operation" thereby making it a "collective entrepreneurial activity". However, all entrepreneurial activities organised collectively are not cooperation as the essential distinguishing features of cooperation from other collectively organised activities lay in the "basis" of its 'organisation' and 'objectives' of its 'operation'. It is exhilarating to observe that the variations in its originating sphere of operation

and the economic conditions at the time of its inception had given different connotations to cooperation, but without distorting the basis of its organisation and objectives of its operation. Consequently, it has been defined variedly depending upon the urgencies of problems, it was designed to solve.

Initially, cooperation was conceived as an "association" of weaklings (may they be, the consumers haunted by scarcity of goods and mounting prices, the artisans uprooted and disgraced by the onslaughts of Industrial Revolution, the tiny cultivators extorted by the feudal set up and so on) established on the basis of mutual help for the protection and advancement of their economic interests. While, it is true that in consonance with its historical mission, it has originated amongst relatively weaker sections of the society, it is also equally true that the soundness of its philosophy has made it all 'pervading' regardless of the variations in social, economic and political settings.

Dr. Fay has defined cooperation as an organisation for the purpose of joint trading, originating among the weak and always conducted in an unselfish spirit on such terms that all who are prepared to assume duties of membership may share in its rewards in proportion to the degree in which they make use of their association.¹ It has also been defined as an "association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically

1. Fay, C.R. "Cooperation at Home and Abroad"- P.S. King and Sons, London, p.5., 1948

controlled business organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking".¹ Mr. Herrick characterised cooperation as "an act of persons voluntarily united for utilising reciprocally their own forces, resources or both under their common management to their common profit or loss."² According to the Japanese Law of 1921, a cooperative is an association having legal existence, formed by persons of modest means in order to promote and develop according to the principles of mutuality, the exercise of their occupations and the improvement of their economic conditions. In the Austrian Act, a cooperative society has been considered as an association with unlimited number of persons the object of which is the promotion of industry or trade of their members by means of common action or credit. The Rumanian Code, defined cooperation as an association with a variable amount of capital, unlimited number of members who may join or leave it at any time and formed with an object of carrying on joint work on a definite plan with a view to furthering the economic and social interests of its members. In the German Law, the emphasis is on open membership and furtherance of the commercial interests of members. It defined cooperation as an association of persons varying in number and grappling with the same economic difficulties and voluntarily associating on a basis of equal rights and obligation and endeavouring to solve these difficulties mainly by conducting at their own risk the undertaking

1. International Labour Office- "Cooperative Management and Administration", Geneva, 1963, p.5.

2. Quoted by Tyagi, R.B.- "Recent Trends in the Cooperatives ^{Movement} in India"- Asia Publishing House, New Delhi, 1968, p.4.

to which they have transferred one or more of such of their economic functions as correspond to their economic needs, and by utilising their undertaking in joint cooperation for their common material and moral benefits. The Swiss Law has defined cooperation as an organisation formed by a varying number of persons organised corporately which aims principally at contributing towards the economic prosperity of its members through joint action. In USSR, a cooperative has been defined as " a voluntary association chiefly of the working people, set up for the purpose of improving the living conditions of its members- shareholders. who on equal footing participate in the management of enterprises they established".¹

The British Columbia Agricultural Association Act of 1911 stated, an association shall be deemed to have been organised on a cooperative basis, if its constitution and bye-laws provide for securing to all producers who are its members, a share in the profits of the association in proportion to the value of the produce supplied by them, after payment of a dividend upon the capital stock not exceeding a statutory maximum. According to the Belgian Law, a cooperative society is one which is composed of members whose numbers and holdings are variable and whose shares are non-transferable to third parties. In the Indian Cooperative Societies Act 1904 and 1912, Cooperation has not been defined but Section 4 of the Act of 1912 suggests cooperative society as a combination of persons which has, as its object the promotion of economic interests of its members in accordance with cooperative principles and it is left to the Registrar to decide as to what those

1. Fundamentals of Theory and History of Consumers' Cooperation (Summary of Lectures on Theory & History of Consumers' Cooperation), Chair of Economics of Soviet Cooperative Trade, Moscow Cooperative Institute, Centrosoyuz, Moscow, 1963, p.1

cooperative principles are. Some other definitions of cooperation emanating from eminent thinkers are:

George Jacob Holyoake, the famous historian^{of} English Cooperation, described cooperation both positively and negatively in the following terms:

"Cooperation touches no man's fortune, seeks no plunder, causes no disturbance in society; gives no trouble to statesman, it enters into no secret associations, it needs no trade unions to protect its interests; it contemplates no violence, it subverts no order, it envies no dignity; it accepts no gift; nor asks any favour; it keeps no terms with the idle and it will break no faith with the industrious."

"Capitalists hired labour, paid its market price and took all the profits. Cooperative labour proposes to hire capital, pay it its market price and itself take all the profits. It is more reasonable and better for society and progress that men should own capital than that capital should own men."

"The leading aim of cooperation is not merely to increase present comfort (albiet not a disagreeable thing to do), it seeks also to ensure competence. Those who do not provide for the future of themselves and families- as far as they can or as far as they ought- are not merely dependent, they are mean, since they leave to chance, or charity of others, to provide for them when the evil day comes."

"Cooperation have made money by their methods of business;

they have own honours by being the first of the working class who cared for education as a higher form of prosperity."¹

H. Calvert defined cooperation as a "form of organisation wherein persons voluntarily associate together as human beings on a basis of equality for promotion of their economic interest."² Ch. Chaput writes cooperative organisation as a "true collective economy undertaking, striving to defend the general interest and to make economic democracy a reality. Its aim is to improve materially and morally the circumstances of its members and its purpose, all commercial industrial and financial operations likely to contribute to the achievement of its social aim."³ Antoine Antoni described cooperation as an 'association of persons pursuing aims of social, economic and educational character which operates in accordance with democracy and collective ownership."⁴ Georges Lasserese has suggested cooperation as a concept in which "economic activity offers everybody an opportunity of uniting their efforts to develop a feeling of comradeship which extends beyond the goal of material benefit and humanises social relationship."⁵ Frank Robotka characterised cooperation as "an association of autonomous units (form or other business units or households) whose purpose is

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1. Talmaki, S.S. "Cooperation in India and Abroad"- Basel Mission Press, Mangalore, 1931, p.18-19.
 2. Quoted by Tyagi, R.B. "referred earlier", p.7
 3. Chaput, Ch. "The Economic Populaire Deciney- "Annals of Collective Economy, 1958, Vol. XXIX, No.2, p. 662.
 4. Antoni, Antoine- Annals of Public and Cooperative Economy.1964. Vol. X XXV, Nos. 2-3, p.225
 5. Symposia of the Institute of Cooperative Studies, Paris, 1964, Vol. I, p.12-13.

to conduct jointly some activity which is an integral part of the operations of the participating units, as a means of increasing incomes, reducing costs or otherwise enhancing the economic interests of the participating units."¹ Wollemborg described, cooperation as a "voluntary and organised association of a number of individual economies, dominated by a common need for the purpose of carrying on collectively or independently an industrial function which would produce the specific economic benefits required to satisfy that end."² Ugo Rabbeno considered cooperation to be a form of economic organisation resting on socialist principles in that a cooperative is an economic unit corresponding to a system of collective type "in which all functions would be exercised collectively, producers and consumers- and the interests of producers and consumers would be identical and the entire economy would be organised for the satisfaction of the aggregate needs of all its members."³ According to Prof. Paul Lambert, "Cooperation is an undertaking formed and directed by an association of users, applying within itself the rules of democracy and directly intended to serve both its own members and the community as a whole."⁴ One may be the user of the undertaking in three different ways, according as one requires of that undertaking marketing, supply or labour services. In brief, 'cooperation' taken in its general sense stands for one of the highest forms of human relationships, whether between individuals or between groups. It means union in pursuit of a common aim to be achieved in conditions of freedom, equality, solidarity, mutual aid and justice.

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1. Robotka, Frank- Annals of Public and Cooperative Economy, 1963, Vol. XXXIV, No.4, p. 630.
 2. Quoted by Luigi Dal Pane-"Cooperation and the Study of Economics in Italy"-Annals of Public & Cooperative Economy, 1967, Vol. XXXVIII, No.3, p.189
 3. Ibid, p.180
 4. Lambert, Paul, "Studies in the Social Philosophy of Cooperation"- Cooperative League of U.S.A., Chicago, 1964, p. 15

Varied as these definitions are depending upon the requirements of the country of their origin, the essence of cooperation has remained throughout intact owing to the self-belonging spirit of the Principle of Cooperation. Originally, the cooperative principles forming the basis of individual cooperative systems have not been expressed in a formal way. They have been simply included in the rules of cooperatives constituting each of the three systems, that is, the systems of the Rochdale Pioneers, of Friedrich Raiffeisen and Hermann Schulze-Delitzsch. The careful analysis of the three systems has revealed that they were all actually based on the same principles, namely voluntary association of people having common needs and interests; the improvement of the economic and social position of the cooperative members by means of common enterprise; the democratic management of cooperative associations expressed by the rule of one man- one vote; the independence of cooperatives from political and religious influence and lastly, the manifestation of the educational and moral tendencies. In the course of cooperative development, these principles came to be widely known as the 'Rochdale Principles' because they have been expressed most clearly and vividly by the Rochdale Cooperative system. These Rochdale Principles in their widest accepted form are enumerated as:

1. Principle of Universality:

This is one of the greatest principles of cooperation and has a far reaching significance as it throws open the doors of the Society to all regardless of their religion, race, colour, nationality, caste, culture, language, sex and even political views. This bears

testimony to the brotherhood spirit of cooperation and broad vision of the cooperator, particularly when viewed in relation to the trying conditions under which the Rochdale Pioneers Championed this cause, amidst rampant racial discrimination and denial of voting rights to women in Britain. This principle of open membership has been hailed as the greatest principle the mankind will ever discover, as it has laid down the secular foundations of the Movement. The 'open membership' principle has helped in creating 'a singleness of purpose' among its members as the sectarian interests are not allowed to side track the activities of cooperatives from the common economic goals which are of interest to all. The Principle of Universality also confers the benefits of the society equally upon its members as well as non-members on the belief that a non-member is a 'potential member'. Mr. Mercer rightfully stated that a "cooperative movement built upon the principle of universality can never be less than universal in its scope, purpose, or spirit."¹ This non-restrictionist policy with respect to the enrolment of members is consistent with its philosophy of maximising the common good. However, of late, some restrictions on the enrolment of members have been applied with the view to enhance the efficiency of the organisation and also to make its impact felt in the society as a whole. As a consequence of these restrictions, people known for notoriety need not be admitted; the trade rivals or the disruptionists need to be kept away and those who live too far away to take part in the activities of the society ^{need to be discouraged.} Apart from these restrictions, there is also a realisation

1. Quoted by V.S. Alame in "Fundamentals of Consumer Cooperation"-
Cooperative Publishing Association, Superior, WISCONSIN 1946, p.19.

that once the operational size of the society crosses its optimum, further expansion in its membership shall develop strains and promote inefficiency. Accordingly, it appears desirable to pursue the policy of open door only upto the point of 'optima' and beyond that the doors of the society should be shut for the prospective members.

In spite of the fact that there are some restrictions and exceptions in actual practice among the cooperatives to the rule of open membership, this rule should be regarded as one of the very basic Rochdale methods or policies. Moreover, it should be taken into consideration as an alleviating circumstance in this respect that when cooperative organisations which restrict their own membership in one way or other become affiliated with cooperative federations, their violation of the rule of open membership seems to become less grave. If it be accepted that the cooperative system is one in which the motive of mutual service rather than profit is dominant, then the rule of 'open membership' with all the qualifications and modifications in its application, provides indispensable safeguards against degeneration into the business of the ordinary type.

2. Principle of Liberty or Volition:

Another principle of cooperation is voluntarism which enunciates that no one is to be coerced or compelled to become the member of the society and that he is also at liberty to stay in or withdraw from the organisation. He is at liberty to hold his own religious and political convictions. Member is also at liberty to do anything and everything save only those things which would injure the interests and the welfare

of the society as a whole. On the same premise, member is under no compulsion to have transactions with his society and the primary unit can also not be compelled to have dealings with the central unit. In brief, the loyalty and patronage of the society by the members is entirely voluntary. According to Mr. Mercer, "liberty is the sole guarantee of continuing economic efficiency in the cooperative movement."¹

However, it is now widely believed that unfettered liberty which once was the strength of the movement, in the changed circumstances of today, is one of its main weaknesses. In the under-developed economies where the need for institutional infrastructure capable of accelerating the economic development and ensuring the equitable distribution of national output is urgent, any resistance or apathy towards the establishment of cooperative society requires annihilation either through education or, if need be, through statutory measures. This type of infringement of the principle of liberty should not be construed as violation of the principle as the essential objective is to make the people appreciate the importance of cooperation. In the centrally planned economies, the grant of limitless liberty to the members of the cooperative societies is inconsistent with the essence of planned and controlled direction of the economy. In the western countries also, ways and means are being devised to seek more loyalty and patronage on the part of the members. Thus, the principle of liberty though retains the essential

1. Ibid, p.22.

spirit, has partly been diluted at least from its operational point of view. But those who have sanctified the movement are not prepared to accept any dilution of the principle and out of sheer veneration record that "if ever the cooperative movement should disregard the principle of liberty it would cease to be a living movement for on the date it said farewell to freedom it also would be dead."¹ They contend that compulsion in cooperation is a contradiction in terms and a denial of the very creed of movement.

3. Principle of Democracy:

Undoubtedly, the most important feature in the operation of a cooperative is the democratic control and supervision of its affairs. When the Pioneers provided for the rule of one member- one vote, they recognised that democracy was not only a form of government but also a declaration of the Rights of Man. This method gave each member the power to govern as a human being, irrespective of the amount of capital each owned. It is this principle which made the 'cooperative economy what it is- an economy of the people by the people and for the people in contradistinction to the capitalist economy which is an economy of capital, by capital and for capital and also the communist economy which is an economy of the State, by the State and for the State. With the dilution of this principle, organisation is sure to lose if not its cooperative character at least its cooperative spirit and vitality. Indeed, Democracy is the very life blood of the cooperative movement and of cooperative economy. According to Laszlo Valko, the principle

1. Ibid, p. 23

of "one man, one vote" remains fundamental for the cooperative society as it is a society of individuals.¹

Here again, it is observed that owing to the growing size of cooperative institutions and the scope of their economic commitments, coupled with the rapid and far reaching changes that are going on in the Movement's economic and social environment, the implementation of this principle is becoming more and more difficult, and complicated. The individual members no longer directly elect the administrative board but only the representatives who elect the board. Another noticeable development particularly in the under-developed countries is the association of the government representatives with the boards of management on the plea to make sure that the aid provided by the government is utilised in the way in which it was originally intended. These developments are important in many ways and have brought about changes in the voting system, yet they have respected the principle of Democracy. Further, it may be stressed that in a rapidly changing world democracy and democrats must also learn to be dynamic.

4. Principle of Equity or Distributive Justice:

It is still another fundamental principle of cooperation advocating justice and fairness and also the equality of rights. The principle as conceived by the Pioneers implied that only the purest provisions be procured and distributed at full weights and measures to the members of the society.

1. Laszlo Valko- "The Rochdale Principles Today"- A Multi Language Edition, Washington State University, 1966, p.91.

In consonance with the principle of equity, the Pioneers adopted a rule that only a fair interest be paid to share capital for its services and by enunciating this rule they deprived the capital of any share out of the surpluses of the society. This is so because shares are treated differently from loan capital and they are not regarded in any way as risk capital even under strict limitations. It is also because of the fact that there are no profits in a cooperative society. If there remains a surplus of income over total expenses, it is on account of the deliberate policy of over-charging the members. This principle is of considerable importance from the point of view of building 'own capital' of societies by allocation of surplus to the reserves. Since, capital is entitled to limited interest, the disposal of surplus has to be considered in relation to members' interests as customers and owners.

Rochdale Pioneers also recognised that the surplus which arises in a cooperative business is due to the purchases made by members and, therefore, in all fairness the members are entitled to a share in this surplus on the basis of their transactions conducted with the society and consequently, they devised the method of the "patronage dividend". It has been recognised that this policy of paying patronage refunds, wherever extensively applied, has nothing short of a revolutionary effect on the economic conditions in society as it accomplishes the following vitally important results:

1. It effects more equitable distribution of income and wealth.
2. It takes the cooperatives out of the class of profit business,

and puts them in the class of business for humanitarian service.

3. It helps in building a solid financial foundation for cooperative and thus allowing for continuous business expansion and the all-important development of production for use.

A note should also be taken of an opinion which wants to debar even the limited interest in the share capital. However, as Prof. Charles Gide opined, "In no case does interest on capital appear to be more legitimate than in this one. It is, in fact, a question of capital which is undoubtedly the fruit of work and savings and which the society received from its own members. Further, as it goes without saying that this capital is of great service to the society, it is fair that this service should be paid for."¹ Cooperatives should also think of the time when their "owned funds" shall be insufficient to meet the growing financial requirements due to the extension of their structures and renewals of their plants and thus leaving no other alternative but to borrow or perish in competition. At least, in the under-developed economies such a situation owing to capital scarcity already prevails and in these countries cooperatives have approached commercial banks for financial accommodation at the market rate of interest. But even such a phenomenon is not inconsistent with the principle of equity. The situation is likely to become grave when the capital needs of the cooperatives expand beyond proportions and the financial houses by taking an advantage of the financial difficulties

1. Quoted by V.S. Allanne in "Fundamentals of Consumer Cooperation" Cooperative Publishing Association, Superior, Wisconsin, 1946, p.19.

of cooperatives start dictating the terms and demand a share in the surpluses of the society. It is at that time that this great principle would be under the threat of demolition and, therefore, it would be prudence on the part of the cooperatives to avoid that situation by creating "built-in-capacity".

5. Principle of Economy or Efficiency:

In accordance with this principle, the Rochdale Pioneers provided that in their store no credit should be given or required. Through the introduction of cash trading system, they not only succeeded in safeguarding the liquidity and financial stability of their society, but also rendered the most valuable service to the members by freeing them from the habit of incurring the debts.

With the view to accord financial stability to the organisation, society creates the surplus reserves by a vote of the membership. The three important types of reserves that are created by the society to fall back upon in the event of distress or even to undertake the programme of expansion and or reconstruction are: general reserve; patrons equity reserve and a revolving fund.

The society also extends its facilities to the general public which apart from being consistent with the principle of universality also helps the society in pushing up its sales through increased clientele and thereby raising more revenue.

The Pioneers were also wise in preferring to sell their articles at the prevailing market price rather than practising the

"cost plus" method which is consisted of selling the goods at the actual cost and denies the surplus to the society.

The cooperatives have also introduced a programme of training their employees so as to enhance their operational efficiency.

The cooperatives very wisely have introduced the system of regular auditing which not only helps in detecting the wastages, irregularities, irrationalities, etc. in the working of the Society but also assists in devising counter checks to accord the desired direction to the operations of the society.

Among these constituents of the principle of economy, the "cash trading" rule is in the process of erosion owing to the growing demand for "credit sales" generated by introduction of consumer durables in the market. Similarly, the price policy as laid down in this principle may not be feasible in the economies threatened by the galloping inflation where the cooperatives are assigned the role of holding the price line. In brief, the changes that have occurred in the economic environments of the society, seriously necessitate the adjustment of the principle of economy.

6. Principle of Neutrality

Since the Pioneers wished to build a mass organisation and a mass movement, therefore, they concentrated on those economic interests that unite the consumers and this led them to follow a policy of neutrality in religious and political questions. The prudent cooperative leadership has always suggested to observe neutrality so as to avoid the risks of disunity and dissipation of

energy. Dr. Warçhasse, citing an example of Italy, where cooperators had to pay a very heavy price for taking their movement into politics suggested the cooperative institutions to remain strictly neutral.¹ Since this principle is mainly deduced from the principle of universality, therefore, absence of neutrality appears to be inconsistent and incongruous with the concept of cooperation itself.

It prompts to beg a question, "Did the Pioneers of yesterday not want to free the society of parasitism and the elements of exploitations"? Answer inevitably since is affirmative, neutrality, therefore, would be absurd and fantastic, as the very objective of cooperation is to provide what it believes a solution to the social problem. "This solution may be more or less bourgeois if its only aim is to reduce the cost of living, to encourage saving and to acquire property; it would be more or less socialist if it intends to eliminate extortion in all its forms to abolish profit and to conquer trade and industry."² Charles Gide also explains that the principle of neutrality has a negative connotation.³ Cooperative neutrality means independence of the political parties. It by no means hinders- if they so wish- from spreading and trying to generalise their own principles of organisation. It does not prevent them from taking a stand- adopted by the majority of their members- on a definite economic or social problem in which they are interested. It does not forbid them to influence political developments of their own accord with a view to

1. Quoted by Bhagwat Swaroop, "Cooperation in India", Sunaja Book Centre, New Delhi, 1962, p.14-15.

2. Lambert, Paul "Explanations about the Social Philosophy of Cooperation" Annals of Public and Cooperative Economy, 1965, Vol. XXVI, No.1, p.71

3. Ibid, p.71.

resolving a problem in the way they wish, by appealing to public opinion and to the existing political parties. Prof. Lambert has explicitly stated that the principle of neutrality is only compulsory for the International Cooperative Alliance, not for any individual cooperative or federation.¹ In every country, the cooperators have to decide for themselves in the light of the history of their movement whether they wish to join any political movement or whether they wish to proclaim the principle of neutrality. In brief, cooperative neutrality whenever it exists does not mean indifference about or abstention from the major economic and social problems.

7. Principle of Publicity:

This is a vital principle and implies "openness in operations" and thereby provides surest safeguard against malpractices to every democratic institution. Adherence to this principle is essential to retain the confidence of members and to inculcate honesty in the management. There is a substantial truth in what Mr. Mercer has said, "wherever there is darkness there is falsehood, concealment and corruption."² Publicity with respect to its operations makes the society known by its deeds and therefore it may be a surest guarantee against misdeeds of the society.

1. Ibid, p.71

2. Quoted by V.S. Alanne Fundamentals of Consumer Cooperation, p.21.

9. Promotion of Education:

It is a cardinal principle of cooperation as it makes possible the effective observance and application of all other principles. Enlightened membership and their capacity to judge issues and elect proper men to the Board of Directors are of utmost importance if societies are to run efficiently in the interests of members. Cooperative education makes the cooperators to accept new ideas, new standards of conduct, new outlook and behaviour based on higher values of life; indeed it invigorates the health of the cooperative and the society as a whole. Cooperative education in fact, is a form of human capital accumulation whose chief function is to 'educate' faculties as mere accumulation of knowledge stunts rather than educates the mind. Mr. H. Elldin observed, "If we had occasion to start our movement afresh and if we were given the choice between two possibilities- that of starting without capital but with enlightened membership and staff or on the contrary, that of starting with a large amount of capital and ill-informed members- our experience would incline us to choose the first course."¹ In brief, cooperative education is a sine-qua-non of cooperation.

These being the broad and general principles of cooperation did not imply all cooperatives to adhere and practise all of them at all times and at all places. However, with the establishment of the International Cooperative Alliance (ICA) in 1895 the need for codifying

1. Quoted in "Report on the Seminar on Cooperative Education held at Dacca, East Pakistan from Jan. 29 to Feb. 3, 1962"- Ordostyled Report, p.4.

the principles for the purpose of affiliating the cooperative institutions functioning under varied socio-economic and political settings, became urgent. As a consequence, in 1937, at ICA congress held in Paris, the principles were formulated as:

A. Primary Principles:

1. Open Membership
2. Democratic Control
3. Patronage Dividend
4. Limited Interest on Capital

B. Secondary Principles:

1. Political and Religious Neutrality
2. Cash Trading
3. Promotion of Education.

In the light of this classification, it was decided that the application of secondary principles was important but not basic, that is, their adoption was not essential for acquiring ICA membership. Further, in view of the changes in socio-economic and political conditions of various nations as well as the developments that have occurred in technology and management, it was considered essential to reformulate the principles of cooperation and as a result ICA appointed in 1964 a Commission on cooperative principles. This Commission has formulated the principles as:¹

1. Membership of a cooperative society should be voluntary and available without artificial restrictions or any social, political or religious discrimination, to all persons who can make use of its

1. Report of the Commission on Cooperative Principles (appointed by the International Cooperative Alliance, London, 1964-66)pp.36.

services and are willing to accept the responsibilities of membership.

2. Cooperative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

3. Share capital should only receive a strictly limited rate of interest, if any.

4. Surplus or savings, if any, arising out of the operations of a society belong to the members of that society and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows:

- (a) By provision for development of the business of the cooperative;
- (b) By provision of common services; or,
- (c) By distribution among the members in proportion to their transactions with the society.

5. All cooperative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of cooperation, both economic and democratic.

6. Principle of growth & mutual cooperation among cooperatives: All cooperative organisations, in order to best serve the interests of

their members and their communities should actively cooperate in every practical way with other cooperatives at local, national and international levels.

The Commission also observed that these principles form a system and, therefore, are inseparable. Since they support and reinforce one another, they should be adhered to in their entirety by all cooperatives. Commission also remarked that these principles are not confined only to the primary societies, rather they should also be observed loyally by the secondary institutions with suitable modifications. The Commission further remarked that those of the principles accepted in 1937 but have not been incorporated in this formulation should not be disregarded as their non-retention does not mean that they are obsolete and inappropriate.

Finally, the incorporation of the new principle of growth by mutual cooperation among cooperatives appears to me a zealous step towards the establishment of cooperative commonwealth inasmuch as it seeks to achieve vertical and horizontal integration of the different types of cooperative societies. It would have been appropriate had the Commission suggested the techniques of resolving the difficulties with which the issue of inter-cooperative relationships bristles. It may be desirable to pursue this problem along the following lines:

- (a) By establishing a regular relationship between the cooperative societies engaged in types of activities that are of mutual interest.
- (b) By creating a permanent understanding among the various types of cooperative societies and reinforced by contract.

(c) By establishing a joint organ to which are affiliated the different types of cooperatives.

In any case, the progress of inter-cooperative relations and the techniques evolved to solve the issues arising thereof, will be watched with uncanny interest by the human society.

GROWTH OF THE COOPERATIVE SECTOR:

In the pre-1947 period, rural institutional pattern which was dominated by a very powerful combination of the feudal lord, money-lender, village shopkeeper and the village religious priest, had worked towards the progressive proletarianisation of the rural society. The rural economy emanating from such an institutional pattern was characterised by subsistence farming with low yields, low productivity of labour, scarcity of capital, obsolete methods and techniques of production; subsequently, stagnation and low equilibrium levels of production, income and living standards. During this period an attempt was made to ameliorate the economic environments of the peasantry through the organisation of cooperative credit societies in 1912-13 but the progress was so slow that the movement did not make any significant indent in the rural society as it is shown below:

TABLE - 23

GROWTH OF COOPERATIVE MOVEMENT (1915-16 to 1946-47)

YEAR	Loans advanced to Members	Loans due by Members	Of which Overdue	Interest recoverable
1915-16	431400	419404	810	25593
1925-26	819889	2448464	295616	247582
1935-36	288236	4109800	608781	1300423
1939-40	274679	8326125	1214746	1326353
1945-46	250068	2519268	1050863	1124076
1946-47	352378	2244328	844651	1074656

SOURCE: "Statistical Digest, 1959"-Cooperative Movement in J&K, Syed Ahmed Aga, Registrar, Cooperative Societies, J&K Govt., Third Edition, pp.12-14.

The foregoing table reveals that the amount of "loans advanced in 1946-47 declined to Rs. 352378 only as compared to Rs. 431400 in 1915-16 while the amount of overdues recorded a fantastic increase from Rs. 810 in 1915-16^{to} Rs. 1214746 in 1939-40 and later on declined to Rs. 1050863 in 1945-46, Rs. 844651 in 1946-47, alongwith this, interest recoverable also increased substantially, that is, from Rs. 25593 in 1915-16 to Rs. 1074656 in 1946-47. Emergence of such a situation is an adequate proof of poor and inefficient organisation of the cooperative movement in the rural areas. Apart from the establishment of cooperative credit societies, cooperation during this period also made some meagre inroads into other spheres of economic activity, for instance, an area of 43145 acres was got consolidated through cooperatives, industrial cooperatives and consumer stores with a total membership of 919 in 1946-47 were also established. No wonder that the institutional system which was heavily influenced by inherited patterns of social stratification had motivated the farmer and his counterpart in industry towards caution, tradition, avoidance of risk-bearing business, maximising security rather than profits and growth.

Thus, with the dawn of Independence when the Government formulated a planned programme to pull out the economy from a quagmire of poverty and hopelessness, it found handicapped by the fact that the society considered the very notion of change alien to it. As a consequence, cooperation became the vehicle of social change and the main career of development programmes in the rural areas. It is pleasing to note that in spite of many deficiencies, cooperative

movement has succeeded in carving out its own place in Jammu and Kashmir Economy as can be observed from the following Table.

TABLE - 24

GROWTH OF COOPERATIVE MOVEMENT (1950-51 to 1968-69)

PERIOD	Expendi- ture (Rs.)	Membership at the end of the per- iod (No.)	Population at the end of the period (No.)	Percentage of population covered by the cooperative movement
FIRST FIVE YEAR PLAN (1950-51 to 1955-56)	10.56	1.99	31.40	31.5
SECOND FIVE YEAR PLAN (1956-57 to 1960-61)	28.62	2.71	34.06	39.5
THIRD FIVE YEAR PLAN (1961-62 to 1965-66)	40.49	3.12	37.26	41.5
1966-67	5.17	3.28	38.02	43.0
1967-68	8.75	3.40	38.80	44.0
1968-69	16.41	3.38	39.58	42.5

SOURCE: "Digest of Statistics" Directorate of Economics and Statistics Government of J&K, 1968-69, p.77, 299-302, 309-311.

It is obvious from the above table that annual average expenditure on cooperation has increased by about 8 times that is, from about Rs. 2.11 lakhs annual average during the First Five Year Plan period to Rs. 16.41 lakhs in 1968-69. As a result of the concerted efforts made for the development of cooperative movement, the cooperative's membership recorded a rise of about 70 per cent during this period, that is, from 1.99 lakhs in 1955-56 to 3.38 lakhs in 1968-69, and as a consequence, the percentage of population covered by the movement

increased from 31.5 in 1955-56 to 44.0 in 1967-68, but then it exhibited a marginal decline to 42.5 in 1968-69. However, the percentage of population covered by the cooperative movement has not made a satisfactory progress during 1965-66 to 1968-69.

It is stimulating to observe that the cooperative structure has undergone a significant change and now the movement embraces many fields of economic activity as can be visualised from the following tables:

TABLE - 25

COOPERATIVE STRUCTURE (1968-69)

	APEX	Secondary	Primary	TOTAL
1. Cooperative Banks (short-term credit)	1	3	-	4
2. Primary agricultural Credit Societies	-	-	1086	1086
3. Primary non-agricultural and other credit societies	-	-	34	34
4. Long-term credit societies	1	-	-	1
5. Cooperative Marketing Societies	1	3	61	65
6. Consumer Cooperatives	-	9	43	52
7. Other non-agricultural Societies	1	-	28	29
8. Industrial Cooperatives (Non K.V.I.B)	1	2	82	85
9. Industrial Cooperatives (K.V.I.B.)	-	-	192	192
TOTAL	5	17	1526	1548

SOURCE: "Annual Administration Report on the Working of Cooperative Societies in J&K State for the year 1968-69", compiled by Statistical Section, Issued by Cooperative Dept., Govt. of J&K, 1970, p.10.

The above table indicates that the movement is largely confined to the agricultural sector of the economy as, out of 1526 total number of primary societies as many as 1086 are primary agricultural credit societies and 61 are cooperative marketing societies. While it is encouraging to know that a greater attention is being given to the premier sector of the economy, it is disappointing to observe that the movement has not made sufficient inroads into the non-agricultural sector of the economy.

Another revealing feature of the cooperative movement in the State is its very weak financial structure as can be observed from the table- 26.

It follows from the study of table-26 that the cooperative movement is very heavily depended upon external borrowing because of the meagre owned funds. It is also apparent from the table that owned funds as a percentage to the working capital has progressively declined from 54.5 in 1948-49 to 10.4 in 1968-69. Also, the fact that owned funds are increasing but at a slower rate than the rate of increase in the working capital (for instance, the owned funds increased by about eight times between 1948-49 and 1968-69 while during the same period working capital increased by about 43 times) causes a serious concern about the financial stability of the movement. There is a definite need to raise the owned funds in order to provide the financial strength to the movement lest the movement may collapse in the event of non-availability

TABLE - 26

GROWTH OF COOPERATIVE MOVEMENT (1948-49 to 1968-69)

(Rs. in lakhs)

YEAR	Membership	Owned Funds	Working Capital	Owned Funds as a percentage to working capital
1948-49	0.79	32.68	60.00	54.5
1949-50	1.14	26.98	60.00	45.7
1950-51	1.49	54.15	93.00	58.1
1951-52	1.70	53.42	109.00	49.0
1952-53	1.70	61.53	98.00	62.8
1953-54	1.67	50.53	87.00	58.1
1954-55	1.73	40.99	123.00	33.3
1955-56	1.98	41.21	143.00	28.8
1956-57	2.10	66.66	222.00	29.2
1957-58	2.17	72.96	207.00	34.6
1958-59	2.50	85.03	394.00	21.3
1960-61	2.71	82.60	402.00	16.8
1963-66	3.12	135.24	928.00	14.6
1966-67	3.28	202.09	1562.74	12.9
1967-68	3.40	245.07	2545.68	9.6
1968-69	3.38	260.68	2578.84	10.4

SOURCE: 1. "Statistical Digest, 1959"- Cooperative Movement in J&K, Syed Ahmed Aga, Registrar, Cooperative Societies, J&K Govt., Third Edition, p.1.
 2. "Digest of Statistics, 1968-69"- Directorate of Economics and Statistics, Govt. of Jammu & Kashmir, 1970, n. 77.

of external finances. It is definitely not encouraging to note that in spite of the rapid and tremendous increase in working capital, the increase in membership has been slow and meagre as it has increased only by four times that is, from 0.79 lakhs in 1948-49 to only 3.38 lakhs in 1968-69. This, very clearly reveals that the response of the people to the movement is not commensurate with the State effort. The following table giving information regarding the owned funds per head in relation to the working capital per head also makes an interesting study.

TABLE - 27

OWNED FUNDS AND WORKING CAPITAL PER HEAD
(1948-49 to 1968-69)

YEAR	Owned Funds per Member (%)	Working Capital per Member (%)
1948-49	41.3	76.0
1949-50	23.6	70.1
1950-51	36.3	62.4
1953-56	20.8	72.5
1960-61	30.5	108.6
1963-66	43.3	299.9
1966-67	61.6	476.4
1967-68	72.1	748.7
1968-69	70.7	763.00

SOURCE: Prepared by the author on the basis of
Table No. 26

The above table indicates that there has occurred about 83 per cent increase in per member owned funds from 1948-49 to 1968-69, while in the same period per member working capital has increased by about ten times, that is to say, the indebtedness per member of the society has risen substantially during the last twenty years.

With the view to have a clear understanding regarding the working of the cooperative movement in the State, an attempt has been made in the following pages to study briefly the different aspects of the movement.

It must, however, be noted that the classification of cooperative societies (Table- 25) as adopted by the Cooperative Department of the State is at variance with the standard classification designed by the Reserve Bank of India,¹ and hence, in order to maintain the consistency the discussion in the following pages is on the basis of the classification given in Table- 25.

1. COOPERATIVE CREDIT:

It is now widely appreciated that the availability of credit to agriculturists at economic rates of interest for purposes and at the time it is needed by them is an essential and basic ingredient of the development effort being made for the creation of a healthy agricultural economy. In fact, as far as adequacy goes there are

1. Sami Uddin- "Cooperative Farming and its Impact on Rural Industries of India with reference to Uttar Pradesh"- (Unpublished thesis) Thesis submitted for the Degree of Doctor of Philosophy in Commerce and Degree was conferred, 1969.

private lending agencies who may be able to meet the credit needs of the agriculturists in this State. But more important are the qualitative factors among which besides the rate of interest which has a prime place, other attributes such as the time when the purposes for which and the classes to whom credit is available are quite important. The case for cooperative credit vis-a-vis credit from other agencies rests on the ground of its superiority on the quality counts and for its being a well intentioned agency aiming at the economic betterment of its clientele. In a planned economy cooperative credit also plays the essential role of promoting and aiding economic development on chartered lines by regulating the volume and distribution of credit in accordance with the plans of agricultural production and development. It is heartening to observe that cooperative credit has carved out a place of pride in the rural credit structure in as much as it constituted about 55 per cent of the total agricultural credit requirements estimated at Rs. 10.07 crores for the year 1967-68. The short, medium and long-term requirements of the different sectors of the Economy are catered by the following institutions:

A- Short and Medium Term Credit:

1. The Jammu and Kashmir State Cooperative Bank Limited, Srinagar;
2. Central Cooperative Banks
3. Primary Credit Societies:
 - (a) Agricultural Credit Societies
 - (b) Non-agricultural Credit Societies

P- Long-term Credit:

The Central Land Development Bank Limited Srinagar and its branches?

These institutions have succeeded considerably in protecting the farmers and others from the exploitation at the hands of private money lending agencies who have resorted to innumerable nefarious techniques to extortionate the helpless borrowers. The study in the following pages reveals the impact of these institutions on the credit transactions particularly in the agriculture sector of the State economy.

A: SHORT AND MEDIUM TERM CREDIT:

This type of credit is required to defray the prime cost of the business and/or to meet the social and conventional expenses. The short-term credit is advanced for a period varying upto 15 months, while the duration of medium-term credit ranges between 15 months and five years. The three-tier cooperative credit structure established in the State is consisted of the Jammu & Kashmir State Cooperative Bank Limited Srinagar as an apex institution supported by the Central Cooperative Banks (operating at District Level) with primary credit societies functioning at village level.

1. The Jammu & Kashmir State Cooperative Bank Ltd., Srinagar:

The Jammu and Kashmir State Cooperative Bank came into inception as an apex bank in July 1954 and is assigned the

responsibilities of acting as a bank to the central cooperative banks and also as a connecting link between the cooperative movement and the money market. In addition to these functions, the State Cooperative Bank is also required to effect uniformity in the banking policy of the Central Cooperative banks and also to help through grants of subsidies for the promotion of cooperative activities. Apart from its functioning as an apex bank, it is also acting as a central cooperative bank for Srinagar district. The authorised share capital of the bank is Rs. 25 lakhs divided into 50,000 shares of Rs. 50.00 each and at the time of its establishment the paid up share capital amounted to Rs. 1.12 lakhs.

A study of the working of the apex bank reveals that borrowing as a percentage to the working capital has declined from 70.3 in 1965-66 to 53.8 in 1968-69 and this has mainly been due to an increase in deposits from Rs. 26.39 lakhs in 1965-66 to Rs. 66.35 lakhs in 1968-69.¹ Similarly, the amount of loans advanced has risen from Rs. 246.52 lakhs in 1965-66 to Rs. 311.61 lakhs in 1968-69. Overdues as a percentage to the loans outstanding declined from 55.3 in 1965-66 to only 9.9 in 1966-67, but thereafter, it started increasing to 18.0 in 1967-68 and 39.1 in 1968-69.

The State Cooperative Bank does not deal directly with the borrowers- primaries and/or individuals but conducts its operations through the Central Cooperative Banks.

1. Appendix. H

2. Central Co-operative Banks:

The central cooperative banking activity was initiated in the State in 1913-14 with the establishment of central cooperative bank at Jammu. In 1955-56, there were 7 central cooperative banks in the State, but owing to the inefficient functioning of some of the central banks particularly in the Jammu province, the process of amalgamation was started and as a consequence there are at present only four central cooperative banks with 26 branches functioning in the State.

The noteworthy feature of the working of the central cooperative banks is an increase in membership, share capital, deposits and reserve fund during 1967-68 and 1968-69.¹ In spite of these marginal achievements, the working capital has exhibited a decline of Rs. 25.28 lakhs in 1968-69 in comparison to the year 1967-68, thereby indicating a relative contraction in the central cooperative banking activity. During this period, there has also occurred a decline in the amount of borrowing from Rs. 19.54 lakhs in 1967-68 to Rs. 14.55 lakhs in 1968-69 and as a result borrowing as a percentage to the working capital has declined from 65.2 in 1967-68 to 53.0 in 1968-69. Notwithstanding, this decline in the percentage of borrowing to the working capital, it is apparent that the central cooperative banking activity in the State leans very heavily on borrowing for its operation and this reveals its weak financial foundation.

In addition to its function of advancing credit to the primary agricultural credit societies and individuals, it also makes available

1. Appendix - I

funds to the primary societies to procure food grains on behalf of the Government from the farmers on voluntary basis. In addition to these considerations, a note should also be taken of the attempts being made by the nationalised commercial banks to spread their activities which poses a considerable challenge to the central cooperative banking activity in the rural areas. It is, therefore, suggested to devise suitable measures to enrol more cooperative societies as members in order to increase its paid up share capital and also simultaneously to formulate a more rational and realistic lending policy. It is my feeling that the urgent need is to impart cooperative education to the office bearers of the different cooperative societies as this alone can make them to work in unison with the overall cooperative activity. The Central Cooperative Banks advance loans to primary credit societies and their individual members but their credit transactions are mainly with the primary societies.

3. Primary Credit Societies:

The primary credit societies are operating in rural as well as urban areas and are rendering useful services to their members, by making them available adequate credit at cheaper rates of interest. These societies are classified as:

(i) Primary Agricultural Credit Societies; and

(ii) Primary Non-agricultural Credit Societies.

(i) Primary Agricultural Credit Societies:

The place and role of cooperative credit in the development of agriculture essentially is determined by the efficiency of the primary

agricultural credit society which indeed is the foundation stone on which the whole cooperative edifice is built. In spite of many shortcomings, the development of primary agricultural credit societies in the State has been encouraging. The membership of these societies has increased by about 12 times that is from 0.22 lakhs in 1948-49 to Rs. 76.92 lakhs in 1968-69. But the most spectacular increase by about 271 times has been in the working capital which has risen from Rs. 2.57 lakhs in 1948-49 to Rs. 696.12 lakhs in 1968-69.¹ However, it is disturbing to observe that the dependence of these societies on borrowing has substantially increased as the percentage of owned funds to the working capital has recorded a progressive decline from 42.8 in 1948-49 to 11.0 in 1968-69. It is also interesting to know that the owned funds per member amounted to Rs. 5.00 only in 1948-49 whereas in 1968-69 they have increased to Rs. 28.9 while the working capital per member has increased from Rs. 11.7 in 1948-49 to Rs. 261.7 in 1968-69.² These observations conclusively prove a highly unstable financial base of the primary agricultural credit societies. Another important snag is the regional imbalance in the development of primary agricultural credit societies. The percentage of rural population covered by the primary agricultural credit societies works out to 62.6 for Kashmir Province, 20.6 for Jammu Province, and 42.0 for the State as a whole.³ This uneven regional development of the primary agricultural credit societies needs to be curbed for the

1. Appendix- J

2. Appendix- K

3. Annual Administration Report on the Working of Cooperative Societies in Jammu & Kashmir State for the year 1968-69, Cooperative Department, Govt. of J&K, 1970, p.19.

realisation of the balanced spread of the philosophy of cooperation as well as balanced regional economic development.

Apart from extending the credit facilities to the farmers, these societies are also rendering a nice service by providing the fertilizers and improved seeds to the tillers of the soil. The value of the fertilizers distributed by these societies has increased from Rs. 34.47 lakhs in 1965-66 to Rs. 191.04 lakhs in 1967-68 but it declined to Rs. 98.63 lakhs in 1968-69. During 1968-69, these societies provided improved seeds of the value of about Rs. 16.25 lakhs. Also, these societies act as procurement agencies for food-grains on behalf of the Government and in order to encourage the members to bring their produce to the society, interest free loans are advanced to them if they opt to repay the loans in kind. These societies also undertake the sale of consumer goods in their respective areas and this has helped to some extent in making the goods available to the villagers during the winter months and also in curbing the local retailer's temptation to exploit the scarcity conditions. The value of the consumer goods sold by these societies was Rs. 1.28 crores in 1968-69.

During 1966-67, an attempt was made to introduce the basic element of crop loan system in the loaning policy of the cooperatives. Cost of cultivation of each crop was assessed and scales of finance ^{were determined} per acre of each crop, but the cash loans and kind loans could not be integrated due to the paucity of funds.

With the view to enhance the efficiency of primary agricultural

cooperative credit societies, it is proposed to amalgamate the weak and uneconomical societies and thus to create only 950 viable societies during the Fourth Five Year Plan. The norm of viability has been laid down as:

1. 1,500 acres of wet land or
2. 2,000 acres of dry and wet land

Achievement of self-sufficiency in foodgrains, being the key note of agricultural policy during the State's Fourth Five Year Plan, the success of this can be ensured only if the cooperative credit programme is linked with programme of technological change, which generates higher returns to production and income increasing investments. However, the ability of the cooperative short and medium term credit structure to expand loan operations intimately depends upon the viability of the structure, the progress and rationalisation of primary credit societies, reduction in overdues mobilization of deposits and the liberalisation of loan policies.

(ii) Primary Non-agricultural Credit Societies:

In the non-agricultural sphere, the most important cooperatively organised institutions are the Employees Credit Societies, numbering 26 in 1968-69, out of which 12 were defunct. Their membership is mostly drawn from the State Government Employees and it stood at 1343 in 1968-69. The paid up capital of these societies was Rs. 113 thousand and their borrowings amounted to Rs. 632 thousand in the same year. In 1968-69, the loans outstanding were Rs. 283.4

thousand out of which overdue were Rs. 157 thousand. These societies advance loans to their members for a period ranging from one to four years on personal sureties and against pledge of insurance policies. It would be desirable if the membership of these societies is broad based and they are amalgamated so that only few viable societies are created.

In addition to the short and medium-term credit, the farmers need long-term credit to affect basic and permanent improvements on the land. In fact, the long-period investments in land are fundamental for the transformation of the subsistence agriculture to a modern profitable enterprise. Therefore, provision for long-term credit is essential for the acceleration of growth in the agricultural sector.

B- LONG-TERM CREDIT:

The development of agricultural sector being basic to the enhancement of the overall rate of growth of State Economy owing to its pronounced spread effects, therefore, the need for making available adequate long-term capital to the farmers is now urgently felt. The long-period capital requirements of the farmers have been ignored for a considerably long period and it was only in 1964 that the Jammu & Kashmir Central Land Development Bank Limited was set up to cope with the growing demand for long-term credit.

The Jammu and Kashmir Central Land Development Bank Limited, Srinagar:

The Jammu and Kashmir Central Land Development Bank Ltd. with 20 branches spreaded all over the State excepting the District of Ladakh,

caters to the long-term credit requirements of the farmers. The Central Land Development Bank has achieved a convincing success during a short period of its operation commencing from 1964.¹ There has occurred an increase in its membership, paid up share capital, borrowing and its working capital. The amount of loans outstanding has also increased from about Rs. 1.6 lakhs in 1965-66 to about Rs. 1.12 crores in 1968-69. The amount of overdues has increased slightly from Rs. 20,000 in 1965-66 to Rs. 34,000 in 1968-69, but as a percentage to the loans outstanding there has occurred a decline from 1.25 in 1965-66 to 0.3 in 1968-69. The Bank has floated four series of debentures for a period of ten to fifteen years for Rs. 39 lakhs at the rate of 5.50 to 6 per cent rate of interest at a sale price ranging between 97 and 100 in order to increase its working capital. The debentures included special Development Debentures meant exclusively for the improvement of Horticulture in the State. The amount of loans advanced by the bank has risen to Rs. 54.01 lakhs in 1968-69 in comparison to Rs. 4.53 lakhs in 1965-66. It is gratifying to learn that a substantial proportion of its loans is made available for the development of horticulture and mechanisation of agriculture.

The foregoing discussion reveals the achievements of cooperative movement in making available cheap and easy credit to the farmers and others. However, it has not remained confined only to the credit sphere of economic activity and it is pleasing to note that now its operations embrace many non-credit activities as well.

1. Appendix- L

2. CO-OPERATIVE MARKETING:

Conceptually, the basic objective of the co-operatively organised agricultural marketing is to minimise the price spread between the producer and the consumer and to ensure the benefit of the maximum price to the grower and the minimum to the consumer. Keeping in view the special circumstances, the supply of inputs for agriculture became important aspect of marketing activity and of late, providing consumer goods to the rural population has been considered the sacred responsibility of the cooperative marketing societies. Consequent upon these development, the cooperative marketing societies have blended their activities with all the three functions and in the process, in some cases at least, have deviated from their main function of agricultural surplus mobilisation and its disposal at prices favourable to the farmer as well as to the consumer. The study of cooperative marketing in Jammu and Kashmir confirms such tendencies as the major functions of these cooperatives in the State are only of supplying agricultural inputs and the consumer-goods to the rural population, at the cost of its prime function of making the marketing of agricultural produce a profitable venture to the small farmer by having a small surplus.

The co-operative marketing structure in the State is comprised of:-

- A. The Jammu and Kashmir Co-operative Supply and Marketing Federation Limited, Jammu, at Apex Level.
- B. The Kashmir People's Co-operative Service Limited, Srinagar at Province Level

C. Two District Marketing Societies (Jammu and Poda)

D. 61 Primary Societies, usually at block level.

A. The Jammu and Kashmir Cooperative Supply and Marketing Federation Limited

The Federation had a membership of 640 and a share capital of Rs. 2.16 lakhs in 1968-69, which was consisted of Government contribution of Rs. 2 lakhs and the contribution from societies and individuals was Rs. 12 lakhs and Rs. 0.14 lakhs respectively.¹

B. The Kashmir People's Cooperative Service Ltd.

The Kashmir People's Co-operative Service Ltd., Srinagar, functions as the apex society for the cooperative marketing societies located in Kashmir Province. The membership of the Society was consisted of 401 individuals and 120 societies in 1968-69. Its share capital amounted to Rs. 2.49 lakhs in 1968-69 and was consisted of:²

(a) Government contribution	1.50 lakhs
(b) Societies	0.91 lakhs
(c) Individuals	0.08 lakhs

Its main transactions were also confined to the purchase and sale of agricultural requisites and consumer goods. During 1967-68 and 1968-69 it purchased agricultural requisites worth Rs. 272.58 lakhs and Rs. 46.51 lakhs respectively. The value of consumer goods purchased amounted to Rs. 90.88 lakhs in 1967-68 and ^{B. 102.10 lakhs in} 1968-69. It sold agricultural requisites worth Rs. 250.09 lakhs and Rs. 66.57 lakhs in 1967-68 and 1968-69, while the sale of consumer goods was worth Rs. 93.02

1. Ibid p.28

2. Ibid p.30

lakhs and Rs. 100.64 lakhs respectively.

C. The District Cooperative Marketing Societies:

There were two district level co-operative marketing societies at Doda and Jammu with a membership of 77 comprised of 39 societies and 38 individuals and had a share capital of Rs. 0.20 lakhs of which the contribution from the Government was Rs. 0.10 lakhs, from the societies, Rs. 0.08 lakhs and contribution from individuals was only Rs. 0.02 lakhs in 1968-69.¹ They purchased agricultural produce worth Rs. 9.23 lakhs and agricultural requisites of the value of Rs. 0.85 lakhs in 1967-68 while their sales of agricultural produce and agricultural requisites amounted to Rs. 9.23 lakhs and Rs. 0.75 lakhs respectively. In 1968-69, they purchased and sold consumer goods worth Rs. 1.62 lakhs. In addition to this, these societies undertook the purchase and sale of agricultural requisites of the value of Rs. 0.94 lakhs and Rs. 1.03 lakhs respectively. They also sold agricultural produce worth Rs. 1.32 lakhs in 1968-69.

D- The Primary Cooperative Marketing Societies:

In 1968-69, the primary cooperative marketing societies numbered 61 with a total membership of 14916 consisting of 994 societies and 13922 individuals and a share capital of Rs. 11.43 lakhs, of which the contribution from Government, societies and individuals was Rs. 7.17 lakhs, Rs. 2.27 lakhs and Rs. 1.99 lakhs respectively.² The total amount of borrowing of these societies stood at Rs. 550.04 lakhs in 1968-69.

1. Ibid p. 31-32

2. Ibid p.33-34.

Their business transactions in 1968-69 were as under:

TABLE - 28

**PURCHASE AND SALES OF PRIMARY COOPERATIVE MARKETING
SOCIETIES (1968-69)**

(Rs. in lakhs)

PARTICULARS	Purchase Rs.	Sales	
		As Owners	As Agents
1. Agricultural Produce	3,614	3,644	6,511
2. Agricultural Requisites	7,134	4	10,760
3. Consumer Goods	16,034	13,206	-

SOURCE: "Annual Administration Report on the Working of the Cooperative Societies in Jammu & Kashmir State for the year 1968-69". Co-operative Department, Govt. of Jammu & Kashmir, 1970, p.34.

The table reveals that the major activity of these societies has been the purchasing and selling of goods at the neglect of their operations in handling the agricultural produce.

The observations made reveal that the co-operative marketing structure depends heavily on the borrowing and its main activity

is to transact in agricultural requisites and consumer goods. While it may be desirable to handle these commodities so as to make available the agricultural production requisites to the farmers and consumer goods to the rural population, it must make strenuous attempts to perform its main function of handling the agricultural produce particularly the fruits, oilseeds, etc. as the current procedure of marketing these goods is not advantageous to the small farmers.

3. INDUSTRIAL CO-OPERATIVES:

The industrial co-operatives have been organised in the State along the following lines:

1. Handloom Section is comprised of silk, wool and cotton and its industrial co-operative structure is consisted of (a) one apex Marketing Society known as J&K Handloom Fabrics Co-operative Marketing Society Ltd., and (B) 23 primary weaving societies.
2. Handicraft Section is consisted of the traditional crafts, viz., Paper Machine, Wood carving, carpet making and has the cooperative organisation as:
 - (a) Two Central Industrial Marketing Societies, viz.
 - (i) The Industrial Cooperative Association Ltd., Jammu
 - (ii) The Kashmir Arts Co-operative Ltd., Srinagar.
 - (b) 31 primary industrial co-operative societies.

3. Spinner Societies: These are the women societies and their number is 27.

A synoptic view of the working of the Industrial Cooperatives can be had from the following table-29.

TABLE - 29

MARKETING OF INDUSTRIAL COOPERATIVES (1966-67 to 1968-69)

(Amount in Rs. '000)

PARTICULARS	1966-67	1967-68	1968-69
1. No. of Societies	79	82	85
2. Membership	4988	5107	5034
3. Paid up share capital	297	325	341
Of which Government	96	101	37
4. Borrowings	1480	1929	1912
5. Working Capital	2402	2736	2682
6. Employment			
(a) For production	1686	1668	1705
(b) For administration	198	197	212
7. Production	1879	1947	1859
8. Sales	3466	3217	3046

SOURCE: "Annual Administration Reports for the years 1966-67, 1967-68 and 1968-69 on the working of Co-operative Societies in Jammu & Kashmir State". Cooperative Department, Govt. of Jammu & Kashmir.

The table reveals an increase in the number of industrial co-operatives from 79 in 1966-67 to 85 in 1968-69 and also a rise in the membership from 4988 in 1966-67 to 5034 in 1968-69, along with this, there was an increase in the share capital from Rs.297 thousand in 1966-67 to Rs.341 thousand in 1968-69. Also, during this period, there has occurred an increase in the borrowings as well as the working capital. Employment was also higher in 1968-69 than 1966-67. But the production as well as sales of industrial cooperatives were less in 1968-69 than 1966-67. It is indeed an alarming situation and therefore, it is urged to devise measures to affect an increase in production. It is proposed that:

- (a) arrangement should be made to supply raw materials adequately, cheaply and timely;
- (b) adequate and cheap supply of finance should be assured;
- (c) attempts should be made to explore the new markets for the products of industrial cooperatives.

Industrial co-operatives have also been organized by Khadi and Village Industries Board and an idea of their working can be formed on the basis of the following table:-

TABLE No.- 30

WORKING OF INDUSTRIAL CO-OPERATIVES (K.V.I.B.)
(1966-67 to 1968-69)

Particulars	-(Amount in 000)		
	1966-67	1967-68	1968-69
1. No. of Societies	147	153	192
2. Membership	2390	2049	2176
3. Paid up share capital	229	245	213

4. Borrowings	1303	1528	1601
5. Employments:			
(a) For production	1326	1578	1554
(b) For administration	110	83	94
6. Production	1203	1285	1190
7. Sales	1001	1279	1633

SOURCE: "Annual Administration Reports for the years 1966-67, 1967-68 and 1968-69 on the working of Co-operatives in Jammu and Kashmir State" Co-operative Department Government of Jammu and Kashmir.

The number of societies has recorded an increase from 147 in 1966-67 to 192 in 1968-69 but, there has occurred a decline in the membership from 2390 in 1966-67 to 2176 in 1968-69. The paid up share capital which increased from Rs.229 thousand in 1966-67 to Rs.245 thousand in 1967-68, declined to Rs.213 thousand in 1968-69. Curiously, there has taken place a contraction in production while, employment has increased and as a result the value of production per worker per annum has declined from Rs.907.2^{in 1966-67} to Rs.814.3 in 1967-68 and Rs.765.5 in 1968-69. Thus the study very clearly reveals that the industrial co-operatives are in deplorable conditions and since, the organisation of industrial cooperatives is the only solution of the increasing poverty of weavers, artisans and handicraftsmen, therefore, an all out drive to remedy the organizational, financial and structural deficiencies of these enterprises is called forth.

OTHER COOPERATIVE SOCIETIES

The cooperative organisation has also been extended to other spheres of economic activity and an abridged view of their working is presented in the following table:

TABLE NO. -31

OTHER TYPES OF COOPERATIVES (1968-69)

Name of the Society	Number	Membership	Share capital (% lakhs)	Working capital (% lakhs)
1. Fruit growers and sellers	6	1000	1.06	8.23
2. Joint Farming Societies	3	97	.27	1.30
3. Collective Farming Societies	1			
4. Transport Cooperatives	11	1541	4.88	21.72
5. Labour Cooperatives	5	748	.09	.16
6. Meat Retailers Societies	3	134	.19	2.92
7. Cooperative Printing Press	3	52	.15	1.75
8. Milk supply Societies	2	670	.12	.96
9. Housing Societies	1	33	0.04	.79
10. Fishery Society	1	600	.18	.85

SOURCE: "Annual Administration Report on the working of Co-operative Societies in Jammu and Kashmir State for the year 1968-69", Cooperative Department, Government of Jammu and Kashmir, 1970, p. 51-57.

It is evident from the table that these societies have not only been organised on a very small scale but also have to depend upon heavy borrowing for their functioning and, therefore, do not have much impact on the economic activity of their spheres of operation.

5. CONSUMER COOPERATIVES :

Apart from the above discussed cooperative societies, the philosophy of cooperation has also been extended to yet another very important and vital sphere of economic activity viz., the distributive sector of Jammu and Kashmir Economy. In 1967-68, there were five consumers' cooperative wholesale stores operating at district level, two wholesale stores in educational institutions and two consumers stores in Leh district. These stores with 43 primaries are functioning in almost all the important urban centres of the State, however, their performance has been adjudged with differing shades of opinion which has been discussed in the subsequent chapters.

CONCLUSION :

It is apparent from the discussion that the cooperatives have attained a diversity of form and reached varying levels of development in different sectors of the economy. The broad conclusions that emerge from this study, however, are the weak financial and organizational structure of the cooperative sector coupled with enlarging State control, both financially as well as administratively. The increasing State control of the cooperative sector has emanated from the defacto recognition of the role, the cooperative movement is capable of ^{playing in} improving the standard of living of the vast underprivileged strata of society, in technical progress and in increasing productivity of the economy. It is argued that the State leadership in the cooperative sector in the present form and at the present scale, discourages the spontaneous response and activity among

weaker sections of the society and also since the growth of cooperative activity depends on the zeal and competence of individual officers, therefore, in the event of their transfer, it is hampered, among other reasons by lack of continuity in leadership. Again, the masses have failed to derive the maximum advantage of the assistance and guidance provided by the Government to establish the cooperative sector and, therefore, the problem is to convince and convert the people, firstly ^{that} ~~is~~ the ethical and social values of cooperation can be combined with modern business practices and technical efficiency, and secondly, that cooperation has a unique opportunity of extending the benefits of modern techniques to large numbers of people who would never have access to them otherwise.

Another important observation pertains to the inadequate development of cooperative activity in the non-agricultural sectors of the State economy. The deteriorating conditions in the non-agricultural sectors particularly, the distributive sector of the economy, urgently requires immediate extension and strengthening of the cooperative organisation. Strengthening of cooperative activity in the commodity distribution sector, apart from affording an opportunity for the balanced development of cooperative movement, shall protect the consumers from exploitation at the hands of the private traders.

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In order to analyse the relevance of consumer cooperatives to our society, the next chapter deals with the study of 'Rationale of Consumer Co-operation'.

CHAPTER - III

RATIONALE OF CONSUMERS' COOPERATION

In the preceding chapter, it has been pointed out that the consumers' cooperatives in the State are essential to minimise the irrationalities of the distributive sector and to enhance the consumer welfare. In fact, consumer cooperatives, in all countries of the world, have emerged as panacea to consumer distress caused by the difficulties and problems perpetrated by the deficiencies in the commodity distribution circuit. In this context, the present chapter deals with the Rationale of Consumers' Cooperation in the different types of economies viz., free-market economies, socialist economies and the developing economies, with a view to determine their role and place in the planned economic development of Indian economy.

A - CONSUMER COOPERATION IN FREE MARKET ECONOMIES :

During the Era of Industrial Revolution, owing to the existence of inexhaustible profitable investment opportunities coupled with 'self interest' as the motivating force, the production levels were pushed to high pitch and in the process consumers' interest was made subservient to those of the producers.

As a consequence, the production was meant not for those who needed it, but for those who could pay the price and thus, the superiority of the producer was established, the consumer's interests were annihilated and the profit rather than the consumer satisfaction became the driving and motivating force of the capitalist economic system. Consequently, there occurred a clash of interests between the producer and the consumer and the most heralded Industrial Revolution while conferred glory and greatness on the profit maximisers by filling up their coffers with gold, wrought havoc on the consumer. Industrial Revolution had led to the mass production of commodities previously reserved only for the privileged few. The rapid growth of new techniques of manufacturing and the development of new materials had made it impossible for the consumers to judge the quality of the goods they bought and even to know the art of using them. They were bewildered by the mass production of goods new to them, bamboozled by the ruthless and deceitful advertising and were completely lost in the drama of Industrial Revolution. What is worst, the callousness of the capitalist knew no bounds, their greed and lust for profits denied the morsel of food to the starving men, medicine to the dying and departing human beings and clothings to the naked bodies even during the calamities perpetrated by war, epidemics, famines and economic disasters of their own creation. The profit aggrandisement resulted in the concentration of business in fewest

hands affecting enlargement of the price heights and magnification of the scarcities of commodities which in turn completed the process of consumer's exploitation. The tendency to resort to unfair competitive practices most systematically, to drive others, out of the market and to 'bamboozle' the consumer remains strong in a free market economy for, both producers and sellers are exclusively concerned with earning profits. Even so ardent a champion of a free competitive economy as Ropke admitted that competition is "a sociological ethic not without dangers", that it "undermines morals" and that it is subject to "moral reservations" of an extra economic character. In the same vein Alexander Rustow has written of the "grim barbaric brutality characteristic of competition in the nineteenth century"². Consequently, monopoly gave lie to the old adage that consumer controlled the economy; in fact, he was confronted with an erosion of his purchasing power, he was conditioned by the broadside onslaughts at him by the producer and he was under continual pressure to pay out of his own pocket for the fantastic wastage of effort represented by marketing and presentation costs, therefore, he was clearly the servant of the economy rather than its master.

It is not the denial of the thesis that competition acts as a stimulus of human activity and is inimical to inertia and laziness, but is an attempt to bring forth an additional postulate that competition depends on the freedom of the enterprises as well as on the

1. Quoted in "Public and Cooperative Enterprise in a Free Society"- A Complimentary Report by Hens Ritsnel, *Annals of Public and Cooperative Economy* 1965, Vol.XXXVI, No.2-3, p.168.

2. Ibid, p. 168.

freedom of choice of the consumer. Competition based on consumers' sovereignty proved a theoretical abstraction impossible of fulfilment and in the real life the disorganised consumer found himself pitted against the well-knit and well-organised oligopolistic and monopolistic institutions powerfully entrenched in the market economy system. This profit-based economy controlled by the big-business accentuated income inequalities, created income insecurity, generated employment insecurity, glorified social insecurity and the State helplessly witnessed the ghastly drama of human exploitation with the conviction of the dogma of classical economists that ultimately "self interest shall lead to the greatest good of the greatest number" and the Church having failed to overcome the monopolist, promised the poor supreme bliss in heaven.

It was during this period when the dead machines were more sanctified than the living human beings that the prophecies of "the doom of capitalism" were made and were also heard the pious voices as:

" Liberalism is individualism for the rich

Socialism is individualism for the poor."

Out of these grim realities, emerged the reaction of the distressed and disgruntled consumer against the producers who were grouped, assembled and organised, under the forceful exhortations and able guidance of Robert Owen and William King in the form of consumers' cooperatives to reassure him the basic amenities of life

and to reinstate his lost glory. Thus, it was in 1821 that a cooperative and economic association was established in London which began its practical activities with joint purchases of consumers' goods and sold them at a small extra charge of five ¹ percent to the wholesale prices. The Brighton Movement met with a spectacular success and in the twenties of the nineteenth century several hundreds consumers' societies came into existence. However, these societies came to a gloomy end with the same sparkle, with which they appeared because as alleged by Charles Gide, "Robert Owen disowned them as representative of his system" and also because, "unlike cooperation his programme was based not on economic democracy but on benevolent autocracy".²

Notwithstanding the weaknesses of the Movement and the resultant setbacks, the Champions of Cooperation did not falter, courage and determination did not waver rather they worked with new vigour and new experiences. Robert Owen, William King and George Holyoake became the zealous disseminators of the cooperative ideas and its ideals. Consequently, on one of those dismal and disquieting days of the depression of 1843-44 that an idea to establish a consumers' cooperative society on new principles ushered on the Rochdale soil. Thus on December 21, 1844, twentyeight weavers set up an Equitable Pioneers Society amidst jeers and scoffings of assembled hoodlums and neighbours.

1. After the name of an English City where William King lived and popularised his ideas of cooperation.

2. Mehta, S.C. "Consumer Cooperation in India", - Atma Ram & Sons, 1964, p. 5.

Encouraged by the Rochdale Pioneers example, of men resolved to stop being preyed upon by the capitalists and the middlemen and to take their affairs into their own hands for their common good, the victims of competitive system in other parts of Europe, particularly Sweden, France, Germany, also sought the solution of their social and economic problems on the same line. Consumers cooperation thus, by defending the interests of those classes of workers which depended entirely for their living standards on the purchasing power of money wages, became the means of distributing the benefits of the Industrial Revolution in the shape of more abundant production, more widely and more fairly over the population. Consumer cooperatives consistently endeavoured to provide goods free of defects and of reliable quality even for members with meagre means. In this way, they combated the evils encountered in the early days of capitalism which forced persons of meagre means to meet their needs under conditions which were not infrequently scandalous.

Consumer cooperative societies as associations of households anxious to obtain necessities of life at the lowest possible cost sprang up not only in the towns but also in the rural areas. This was an encouraging trend for, consumers' cooperation became increasingly effective as its members got drawn more and more from the various social and economic groups within the nation. The consumers' Movement thus developed stronger and deeper roots and soon became the darling of dispossessed masses and cynosure of thinkers and

intellectuals of the day. Convinced of its ultimate victory, J.C. Farné wrote as far back as 1864 :

"The first stage of cooperation should be retail trade, the second wholesale trade and the third production. But I stop here, feeling that the timid might be frightened and ask me how far I intend to go. And besides, no man is recognised as prophet in his own land."¹

Owing to the soundness of the philosophy of consumers' cooperation and its success, Charles Gide of "Nîmes School" contemplated an ambitious programme in three stages: consumer cooperatives setting up production undertakings and at the third stage farming concerns, so that the purely voluntary cooperative movement was to end by taking in the general run of the economy."² It is not easy to share this optimism for, disagreement appears on the sequence of "stages" as, it depends upon the nature of economy, as well as on the conclusion "in the general run of the economy", yet the Movement has carved out a respectable place in the free market economies. The consumer cooperative movement since, constitutes a collective form of enterprise and differed radically from a privately owned enterprise, therefore, within the cooperative form of enterprise, profit in the capitalistic sense does not arise because, the functions of customers and entrepreneur are combined in the person of the member.

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1. Quoted in "The role of Collective Economy seen from the Consumers' standpoint" by André Hirschfeld, *Annals of Collective Economy*, 1960, Vol. XXXI, No. 2-3, p. 260.
 2. Quoted in "The Essential Nature of Cooperation and the Future of the Cooperative Movement" by Paul Lambert, *Annals of Collective Economy*, 1958, Vol. XXIX, No. 4, p. 445.

The entire cooperative Movement strives to protect the interests of the consumers. Mr. F. Standiger was so much fascinated by the collective interest of the Movement that he argued in 1912, "Consumer cooperation was the most genuine and obvious product of Marxist doctrine"¹.

This is not the whole truth as, the cooperation does not aim at the regimentation of the human beings and the creation of state-monopolies, the two essential characteristics of Marxist economy. In fact, the aim is "the individual" and it does not mean the unnatural development of individuals resolved to crush their fellows, but the development of what is the best and most sacred in every individual. It has convincingly been demonstrated that cooperation changed the individual because it puts an end to a whole series of disputes.

In short, the consumers cooperation concept is conceived by people who are not prepared to tolerate the exhortations of monopolists or the prices which the retail keepers are fit to impose, and, therefore, has the connotations of emancipation and revolt. Thus, the consumers cooperation emerged as "the strong man armed, the poorman's invincible friend, the very embodiment of strength and determination" to establish a new system resting on the principle of solidarity: each for all, all for each.

Consumer cooperative movement could justly pride itself on its magnificent achievements as an important tool to improve the social and economic conditions of the masses all the world over. It won

1. Quoted by Luigi Dal Pane in "Cooperation and the Study of Economics in Italy" - Annals of Public and Collective Economy 1967, Vol. XXXVIII, No. 3, p.182.

gloriously the first stage of battle (from 1844-1939) and proved successful in reinstating and rehabilitating the forgotten consumer and also beneficial to him by forcing its adversaries to provide better services. The success even inspired Jean Gaumont, the historian of the cooperative movement to write as :

"Whenever a man hears mentioned the idea of cooperation however little he may know of present day social problems, he will think of the enormous organisation of consumers' cooperatives in the United Kingdom and especially in England and Scotland."¹

In the beginning, the consumers cooperation was only a distribution concern but soon it started spreading its tentacles to the production sphere hitherto considered a special preserve of the monopolist. It owns large and potential establishments notably in Sweden, England, France and Germany, producing essentially the consumer goods forming significant percentage of the total industrial outputs of the respective economies. Thus, consumers cooperation has become a strong instrument to debate the fundamental question of the optimum social order and to settle some of the classical problems of the competitive economy.

Alarmed by the rapid and serious effective inroads made by the consumer cooperatives in their domain, the monopolists, made conceded

1. Quoted by Hirschfield, Andre in "Role of Collective Economy seen from the Consumers' standpoint" - Annals of Collective Economy, 1960, Vol. XXXI, No. 2-3, p.260.

efforts to achieve economic centralisation by creating mergers and similar amalgamations to blunt the sharpness of the co-operative movement. Consumer cooperatives were not caught napping, they also merged the small, unimportant cooperatives into big, influential and efficient groups and as a result a more rigid centralisation and a greater concentration of purchases with the central wholesale society took place and this made the entire movement more powerful and effective. The sea-saw struggle for supremacy between the cooperatives and the capitalistic organisations continued till the Depression of 1930's which, fiercely shook the foundations of capitalism and compelled the State to shun the most discredited laissez faire policy which, in turn caused significant transformation in the functions of the State - from a police State to a Welfare State.

In the post Second World War period, there has occurred in free market economies, in fundamental social and economic changes ensuring near full-employment, rising living standards and increasing social security programmes. The markets have been flooded with cars, televisions, telephones, refrigerators, tape recorders, packed foods and many other bewildering varieties of consumer goods and once again the consumer is lost in the ocean of capitalistic opulence. But this time, full employment and rising living standards have both, it appears, promoted modernisation in distribution and made the consumers more rather than less

price-conscious. The distribution circuit has completely been revolutionised and the chief innovations that have taken place during this period are : self-service, super markets, popular stores (partly or wholly self-service), vending machines selling textile and food stuffs, chain stores and discount houses (department stores). The most vital and hotly discussed issue now is, will consumer cooperation resist the ravages of changing capitalism and emerge successful in effectively protecting the consumer. Opinions, regarding the future of consumer cooperatives, with intermittent shades of pessimism and optimism have been expressed and on summarisation emerge the following two diametrically opposite verdicts:

- i) that the consumer cooperatives have sunk to the lowest depths and have outlived their usefulness.
- ii) that the consumer cooperatives are living institutions, they are expanding buoyantly and will have the final say in the economy.

The market-economy protagonists point out that in the past the consumer cooperative movement derived its drive and motivation from two psychological factors, viz. (a) hardship and (b) moral character and since, now both of these factors have waxed and waned by the increasing affluence, therefore, the movement has a withered future. They also point out that the consumer cooperatives are no longer competing solely with small unorganised private establishments as in the past, instead cooperatives today

are engaged in serious struggle for existence against large, economically integrated and much more efficient competitors such as chain stores, supermarkets, multiple stores and in the process have suffered serious erosion and deterioration. This view is substantiated by the observation made by Independent Commission headed by Late Hugh Gaultskell, 1958 that "the cooperative movement was stagnating"¹. Mr. Desmond Flanagan has also arrived at the conclusion that the cooperatives have lagged ^{behind} the large multiples.²

It is also stressed that the quality of labour recruited by the societies has not been as good as formerly, because the employment policy after the second world war has made the quality labour scarce for cooperatives owing to higher rewards in non-cooperative sector. Again, the enthusiasm of the cooperators has diminished as can be deduced from the woefully declining attendance at societies meetings and the voting in cooperative elections. Jean Lacroin opined "the cooperative sector has gradually lost momentum as a result of the rapid development of marketing techniques. It no longer has monopoly of rationalisation, it takes a long time to adapt itself to changed conditions and has difficulty in making lasting progress".³ On summation the argument follows as "it is

1. Quoted in "The British Cooperative Movement since the Independent Commission" by Desmond Flanagan, Annals of Public & Cooperative Economy, 1964, Vol. XXXV, No.4, p.251.

2. Ibid p.251.

3. Lacroin, Jean - "Symposia of the Institute of Cooperative Studies", Vol. I, Paris, 1964, Reviewed by Arletta Colard-Annals of Public & Cooperative Economy, 1964, Vol. XXXV, No.4, p.370.

completely erroneous to believe - let alone to claim- that cooperatives are necessary for the protection of the consumer. The department stores and chain stores are just as anxious to see him protected and, therefore, cooperatives- 'an offspring of necessity have no raison d' etre in an age of plenty'. In the capitalist world of today, States genuinely feel concerned about consumer welfare and to promote it, have adopted many anti-monopoly legislation, anti-inflation ^{any} fiscal measures and have also undertaken public utility maximisation programmes. Therefore, consumer cooperatives as custodians of consumers' protection have no further justification and since everything in this mortal world has limited life-span, abandonment of cooperatives, therefore, shall not constitute a sacrilege.

Undoubtedly, these considerations can sway the market economy adherents, but to the cooperators these developments offer a challenging issue between stagnation and development and between continued existence and disappearance. It is true that the existence of small and scattered societies has been endangered by the revolution in retailing, but it is also equally true that the individual consumer can hardly compete with the mammoth organisations that rule the market today, namely the cartels, trusts and other giant enterprises with monopolistic tendencies. This trend towards concentration of both distribution and production into larger units have also taught cooperatives the lesson that concentration must be

total if they are to prevent the further development of monopolies, provide necessities of everyday life and stabilise the reasonable price levels. The lesson has been well received, the cooperatives are making necessary efforts to rationalise their structure through vertical and horizontal concentrations. They are endeavouring to make the best possible use of their production capacity by means of amalgamation and integration and are striving towards the ultimate aim of achieving the highest possible standard of service in supplying, warehousing and marketing by appropriate planning and coordination measures at all levels. The cooperatives in the West European countries particularly, in Sweden have established the best possible correlation between the distribution, management and production apparatus. Many years ago, Beatrice Webb expressed the opinion that "consumers' cooperatives would benefit if they had to operate in competitive markets,"¹ and this is being fulfilled to an increasing extent as competition from subsidiaries of large firms and from the chain stores becomes fiercer. The results of this type of combination, as pointed out by Mr. W. Bleile, in relation to Swedish Economy can be deduced from the fact that "although during the period 1950-64 the number of retail outlets did not increase substantially, the total turn over during the same period rose from 700 millions to approximately 1700 million Swiss francs."² In Sweden, in 1950 the distribution system included over 800 shops, and

1. Quoted in "Possibilities and Limits of Competition- A complementary Report by Hans Ritsenl, Annals of Public & Cooperative Economy, 1965, Vol. XXXVI, Nos., 2-3, p. 173.

2. Bleile, W. "Cooperative Enterprise in a Free Society- A complementary Report, ibid, p.202.

in 1965, there were only 3900, alongwith this development ^{took place} is the amalgamation of consumer cooperatives and production plants. Thus between 1955 and 1965, the number of consumer cooperatives fell from 681 to 338".² In the Federal Republic of Germany, as revealed by Arlette Schmatz, "the consumer cooperation movement has made a genuine effort to rationalise, partly through the amalgamation of societies and stores and partly by the introduction of the new methods of distribution and as a consequence, there has occurred a rapid increase in the number of self-service cooperative stores from 81 in 1954 to 3987 in 1963 and to 4246 by 30th September, 1964."² Dr. Theo Vosschmidt states that "on the average consumer cooperatives in the Federal Republic of Germany have invested the equivalent of approximately 2.1 per cent of their turn-over annually on the rationalisation process and this must be increased".³ These revelations exhibit the "rational attitude" of cooperators towards the challenges posed by the changes in the distribution circuit in the recent years. Charles Veverka writes that "in France the cooperative attitude towards reform of distribution is a positive one, it favours progress; but it also appeals to reason rather than to emotion and points out with some pride that the consumers' cooperative movement has shown the greatest progress in distribution. In 12 years (1950-1962) its index rose from 100 (in 1950) to 536. Next come the provincial department stores with 509, Paris department stores, 488, branch shops 410 and lastly private business with 304".⁴

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1. Kerp, Andreas- "Structural Reform in the Cooperative System"-Annals of Public and Cooperative Economy, 1967, Vol. XXXVIII No.1, p.19.
 2. Schmatz, Arlette- "The Cooperative Movement in the Federal Republic of Germany" Annals of Public & Cooperative Economy. 1965. Vol. XXVI, No. 1, p.16-17
 3. Quoted in Ibid, p.17
 4. Veverka, Charles- "Cooperation and Modern Methods of Distribution in France"- Annals of Public & Cooperative Economy, 1964, Vol XXXV. Nos. 2-3, pp.171-72.

These observations conclusively prove that the regions where the cooperatives grasped well the lessons of rationalisation, concentration and coordination and applied them in time, they did steal a march over its competitors in the distribution circuit. But surprisingly in Britain the lesson was learnt belatedly perhaps because of the apparent blindness of the British Cooperator to the elementary necessity in an expanding cooperative movement to be functional, which has obstructed and frustrated the plans of regional amalgamations and also explains the slow momentum of the movement in Britain during 1950-1963. However, these changes in the cooperative structure should not be viewed only as countermeasures to maintain the competitive power of the cooperative economy against the increasing tendencies towards concentration and large-scale economy in the private sector of enterprise and their success in the field of rationalisation rather the structural changes in the cooperative sector of enterprise are also called forth by the inherent power for growth of the cooperative economic system.

Also, the world-wide rapid development recorded by the Cooperative Movement blunts the tentacles of Pessimists' attack on the future of consumer cooperatives. The consumer cooperative societies dominate over the other types of cooperative societies in the world in as much as their membership forms about 46 per cent of the total individual membership of all the societies combined together and also the annual turnover of consumer cooperatives is the highest of all the societies.¹

1. Barbier, Charles H. "Cooperative Enterprise in a Growing Economy" *Annals of Public and Cooperative Economy* 1965 Vol. XXXVI No.2-3, p.310.

Also, the assumption of international character by the Movement reveals its inherent strength and usefulness to the different types of economies and thereby, ensures it a place of pride and significance in the future.

The revolution in retailing and other structural changes that have occurred in the capitalist economies, it is argued, are sufficient to protect the consumer's interest and maximise his welfare and, therefore, the consumer cooperatives are not only the superfluous organisation but even are irrelevant in such a fast changing economic system. Such an opinion can thrive only on prejudices, misunderstandings and irrational considerations of the 'types of competitions, which characterise the capitalist world today.

The revolution in Retailing signifies the emergence of large-scale retailing and the tendency towards despecialisation, that is, bringing together of businesses of different kinds at one place and in its wake has given rise to new forms of distribution viz. multiple shop organisation; variety chain stores and department stores. At these shopping centres, the retailing service is rendered to the customers through the technique of 'compensated margin'. The compensated margin technique consists of the offering of a window bargain in these stores, that is, to buy +1 in the selling to a certain number of articles at exceptionally low prices in the hope that once in the store, the client will not only buy the low priced goods which yield but a small profit, but also other articles with a higher profit margin. It is not to deny that these forms of distribution have affected an improvement in the technique of distribution and

rationalisation of work tending to reduce the cost of distribution but what pains is the introduction of questionable methods like consumer conditioning techniques to push up the sales. Consumer conditioning technique is "to find out the driving power of the consumer and to use this knowledge to direct his choice in a specific way."¹ The consumer is virtually flabbergasted, hypnotised and, therefore, it is a dangerous technique as the public is not aware of it. Mr. Trujillo adds, "We slaughter ten prices and gain on the rest... islands of loss in an ocean of profit."² Mr. Gerald Stahl ascertained that "seven out of ten purchases are not deliberate ones, but are made on impulse induced precisely by the use of these techniques."³

These tendencies in the competitive market inevitably lead to the irresistible conclusion that the consumers' protection has acquired greater urgency now, than at any time before, and the consumer cooperative is the only effective agency to discharge this responsibility as it is founded on the principle of 'gain each other', in contrast to the objective of private enterprise to 'gain from others'. In the consumer cooperative, the same men are buying from or selling to each other which eliminates the rivalry between buyer and seller. Further, cooperation does not identify itself with the principle of maximum profit, instead it heralds the optimum satisfaction of needs and thereby eliminates the contrast between

1. Veverka, Charles- "Cooperation & Modern Methods of Distribution in France"- *Annals of Public & Cooperative Economy*, 1964, Vol. XXXV, No. 1 pp. 176

2. Ibid

3. Ibid

consumer and producer. Consumer cooperatives alone emphasise that the interest of the consumers are identical with the public interest, that the consumer alone is interested in having all products in abundance, of the best possible quality and as cheaply as possible and that he alone approves all progress. The competition, as it really is, neither guarantees the optimum satisfaction of the consumer nor the optimum growth of the economy rather perpetuates the inherent instability of the capitalist system.¹ The contention that the capitalist economies owing to the structural transformations have become "stagnation proof" and depression proof" is naive and vague. when analysed in the context of welfare-warfare dilemma of these economies.² These observations make cooperative organisation of inestimable importance to free market economies as, an economy organised on the cooperative principle of distribution shall be reasonably stable, because in this system of distribution the returns on capital shares are fixed at low rates and dividends are distributed on the basis of consumer patronage, which would prevent the cyclical fluctuation in income distribution that apparently lies at the root of capitalist instability. Also, the equitable distribution of wealth and income shall reduce the saving gap at any level of income and thus the problem of maintaining sufficient offsetting investment would be diminished.³ Again, the consequent rise in consumption would, through the accelerator, stimulate investment and hence shall promote steady and stable growth. Some also argue that

1. Veverke, Charles - "Cooperation & Modern Methods of Distribution in France"- Annals of Public & Cooperative Economy, 1964, Vol. XXXV, No. 1, pp 176

2. *ibid*

3. *ibid*

adherence of cooperatives to standard lines of merchandise for which the demand is cyclically stable, shall further erode the causes of instability. On the basis of employment statistics, J.P. Warbasse concluded that "cooperative employment was more stable in the depression of 1930's than that in the capitalist enterprise".¹ The Scandinavian countries where the cooperative enterprise is well entrenched were more stable while the other West European economies crumbled during the depression of 1930s.

Consumer cooperatives are also successfully operating as a 'countervailing power" particularly in the West European countries. In Sweden, Kooperativa Forbundet has waged successful fights against margarine manufacturers' cartel, Galoshes cartel and international light bulb cartel. The intervention of consumer cooperatives in these fields of activity was followed by a strong upswing within the industry bringing with it raised production levels and higher employment. This experience prove that consumer cooperative enterprises can correct private-capitalistic monopoly policy. Swedish experience also shows that in an oligopolistic market situation, if one of the party is cooperative enterprise and if consumers are price conscious, an effective price competition emerges despite the theoretical constraints.

The rationality of consumer cooperatives is further heightened when it is considered as a movement intended to liberate mankind from the coercion imposed on it, by that lack of information and

1. Warbasse, J.P. - "Cooperative Peace". Cooperative Publishing Association, 1950, pp.202.

education which makes it the helpless victim of capitalist exploitation. Consumer education is a vital way of increasing the purchasing power of the consumer as the lack of objective information on the price, quality and suitability of an article results in the distortion of consumer rationality. Consumer cooperative movement, through demonstrations, films, lectures pamphlets, courses and test kitchen activity, has contributed to make the consumer more quality minded and price conscious. And lastly, it must also be contended that the cooperative movement has organically grown out of the people and this democratic development predestines consumer cooperatives by their very nature to develop a feeling of comradeship which extends beyond the goal of material betterment and humanises social relationships and may thereby help in rehabilitating the Man uprooted and lost in the material opulence. It is a living body and part of life and consequently can never come to a final end. In fact, it is a New Civilisation.

B- CONSUMER COOPERATION IN SOCIALIST ECONOMIES:

Elimination of the rights of capital to management and profit in the consumer cooperative enterprise enthused Paul Lambert to establish the Identity Principle (Cooperation = Socialism)¹. However, this identity has vigorously been challenged by the Soviet thinkers who maintain that under capitalism the cooperative is a collective capitalist enterprise and only when it embraces the entire

1. Lambert, Paul - "Studies in the Social Philosophy of Cooperation", p. 150

society which has socialised the land and nationalised factories and plants that it is socialism. Lenin emphasized the fact that "the role of cooperatives changed radically after the seizure of the State power by the proletariat^{and} after the proletarian State authority has embarked on the programme of constructing socialism. This was a case when quantity passed into quality."¹ Lenin did not deny a certain positive significance of cooperatives to the working class: "No one disputes the habits acquired by the workers in consumers' societies are very useful. But only the transfer of power to the proletariat can give full scope to these habits."² In fact the significance of cooperatives changes substantially after the dictatorship of the proletariat is established and main means of production are socialised. Under the conditions of proletarian dictatorship in the struggle for a new communist society, cooperatives assume an immense importance. The up-building of a communist society without cooperation is inconceivable.

The cooperative movement after experiencing many vicissitudes has acquired an enviable and formidable position in the Russian Economy, in as much as the consumers' societies numbered 35000 with 11,550,000 members and a turnover of slightly more than 4% of retail commodity circulation of the country, in Jan. 1918.³ But, as these enterprises were considered the symbols of capitalism, they began to be destroyed until Lenin cried a halt to this frenzy and declared

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1. Lenin, V.I. - "The Immediate Tasks of the Soviet Government", March, 1918, Moscow,
 2. Lenin, V.I. "Collected Works," Vol.9, Moscow, 1952, p.371
 3. "Fundamentals of Theory and History of Consumers' Cooperation" (Summary of Lectures on Theory & History of Consumers' Cooperation) Moscow Cooperative Institute of Centrosoyuz, Moscow, 1965, p.34.

that "cooperatives were the only organisations dating from the capitalism regime that were good and that they were to be kept at all costs."¹ This exhortation of Lenin made consumer cooperatives the integral part of the Soviet Socialist economy and paved the way for their active participation in the socialist reconstruction by weeding out the elements of exploitation in the distribution circuit of commodities. Consequently, the share of private trade in the retail commodity circulation dropped from 75.3 per cent in 1922-23 to 13.5 per cent in 1929 and in 1931 private trade was completely done away with.² Consumers' cooperatives have played an extremely significant role in the years prior to the full-scale collectivisation of agriculture by making available the articles of culture to the Countryside and through its educative role, made the people accustomed to an learning the principles of collective management of economic enterprise. The system of consumers' cooperatives trained a great many people who in the period of collectivization worked in the capacity of leading officials organising collective farms. With the successful completion of collectivisation programme there was no need to serve individual consumers- peasants and other villagers, but the consumers cooperatives were preserved and were required to render service to collective farms as economic organisations to supply them with commodities of production and economic designation. Simultaneously, the urban stores were replaced by the State trading

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1. "Consumer Cooperatives in the USSR"- Centrosoyuz Publishing House, Moscow, 1962, p.27.
 2. "Fundamentals of Theory and History of Consumers' Cooperation" (Summary of Lectures on Theory and History of Consumers Cooperation). Moscow Cooperative Institute of Centrosoyuz, Chair of Economics of Soviet Cooperative Trade, Moscow, 1965, p.69.

trusts for the purposes of retail distribution. However, these stores have been revived since 1946 and are now operating effectively and efficiently.

The commodity distribution circuit in Soviet economy and in Soviet type economies of Eastern Europe and Communist China is, at present, consisted of State retail stores, consumer cooperative stores and the collective farm stores (free market). The bulk of the retail sales are handled by the State and cooperative stores where prices are set by government decree, while the collective farm stores are allowed to sell fresh foods- fruits, vegetables, meats and dairy products at uncontrolled prices. Of the total state, cooperative and urban collective farm market sales in 1959, the respective percentage shares of the three types were 66.0, 29.3 and 4.7.¹ The simultaneous existence of two retail price levels- collective farm market price level and the state retail price level- often have obstructed the planned changes in private consumption particularly during the periods of scarcity of consumer goods owing to very wide price variations.

In 1954, Clifton Daniel reported that prices in a farm market near Moscow were 5 times as high for cucumbers, 4 times as high for potatoes, 2½ times as high for apples and the same for tomatoes as in State stores.² The large difference between the two price levels clearly reflects the substantial extent of below-equilibrium pricing

1. Bornstein, Morris, - "The Soviet Price System" American Economic Review 1962, Vol. III, No. 1, p. 88

2. Quoted by Campbell, CD and Campbell, R.G. - "Soviet Price Reductions for Consumer Goods 1948-54", American Economic Review, 1955, Vol. XLV No. 4, p. 615.

in State retail stores and general shortage of consumer goods, although in part it also reflects a premium for the better quality and freshness of products in the collective farm market. It is precisely under these conditions of general shortages and alarming differentials in the two prices- collective farm market price and the State retail price- that the consumer cooperatives can exercise a healthy and stabilizing influence and contribute to the twin objective of levelling the private consumption standards and equal distribution of real income. The Government appears to have recognised the incontestable importance of consumer cooperatives as is indicated by its promotion of the commission- trade form of collective-farm market trade. The consumer cooperatives are carrying on a form of collective-farm market trade in which they act as agents for collective farm market for a commission of about 10 per cent. The commission- trade price of a good is set by the consumer cooperatives on the basis of the prevailing collective-farm market price, but always substantially below it. The Commission trade has exerted a stabilising influence on the level of collective-farm market prices and has also reduced the amount of time and effort which collective farmers devoted to marketing, rather than producing agricultural output.

Soviet consumer cooperatives are mass organisations of working people based on voluntary membership and are engaged in multifarious economic activities. The nature of these activities springs from their main aim of satisfying not only the demands for consumer goods but also the growing requirements of the collective farms and rural

population in building material, commodities used for production and articles for cultural needs. However, the retail and wholesale trade continues to be one of the major activities of the consumers' cooperatives. Owing to the substantial rise in income and purchasing power of the Soviets, significant changes in their demand pattern have occurred and as a consequence the volume of retail turnover of the consumer cooperatives exceeded 24,200 million rubles (including trade commission) in 1961.¹ In fact, this retail turnover was somewhat higher than that of the State urban trade. The consumer cooperatives are conducting their retail trade efficiently through a large network of shops. The wholesale trade is largely the province of centrosoyuz, the republican, regional, territorial and district consumers' union, with Centrosoyuz engaging in inter-republican wholesale trade as well. About 70 per cent of all the goods received by the cooperative stores and public catering establishments move through the wholesale centres and stores of the consumers' cooperatives. In 1961, the wholesale turnover of all the consumers' cooperatives amounted to 19,100 million rubles.² Apart from catering to the people's demands for manufactured articles and foodstuffs through retail trade, the consumers' cooperatives are also engaged in public catering. The Soviet consumers' cooperatives have also emerged as the major buyers of farm products and raw materials from collective farms and collective farmers. In 1961, they bought 100 per cent of the country's eggs and wool, 82 per cent

1. "Consumer Cooperatives in the USSR"- Centrosoyuz Publishing House, Moscow, 1962, p.27.
2. Ibid.

of its melons, 47 per cent of the vegetables, 53 per cent of the potatoes, 62 per cent of the furs, etc."¹ In addition to the merchandise activities, the consumers cooperatives also operated more than 46000 production enterprises on Jan. 1, 1962.² The consumers cooperatives operated in 1962 some 18000 bakeries and are strenuously attempting to develop a net work of shops for serving and repairing clothes, making and repairing footwear, and are also expanding the net-work of barber shops, laundries, photographic studios, etc. In 1960, the value of gross production of the consumers' cooperative enterprises exceeded 1500 million rubles.³ The consumers' cooperatives with a total membership of 51652000 (approximately 22 per cent of the USSR population) on Jan. 1, 1965, handled 26 per cent of the retail commodity circulation of the country. The consumers cooperative stores have also advanced the facility of credit sales to their customers for a specified period. In 1964, the value of goods supplied on credit by the cooperative stores amounted to 537,997,000 rubles.⁴ Alongwith these activities aiming at the material advancement of the people, the consumers cooperatives have also established educational institutions to educate and prepare the masses to shoulder the additional responsibilities during the period of full scale building of communism.

In nutshell, consumers' cooperatives are contributing to the building of socialism and consolidation and development of the socialist system of economy in the USSR. They are one of the forms

1. Ibid, p.37

2. Ibid p.38

3. Ibid, p.39

4. Samiuddin, "Consumers' Cooperation in USSR"- Indian Cooperative Review, 1966, Vol.III No.3, pp.1016-1021.

to draw the working people into socialist construction, to bring up collectivism, to develop self activity and creative enterprise of the people. They have promoted the development of the country's productive forces, the rise of the material and cultural standard of the working people, the victory of socialist public relations over the bourgeois. A great part has been played by consumers' cooperatives in ousting the private trade capital from the turnover, in establishing and developing Soviet trade, in cooperating peasant households and in serving collective farms in the fields of marketing and supplying, in extending the commodity exchange between town and country. The entire activity of the USSR consumers' cooperatives, socialist in their nature, shows that they are an integral part of Soviet society. During the period of extensive building of communism, the role of the consumers' cooperatives as a self-government school will be immeasurably raised. It will be achieved by way of further development of the cooperated masses' self-activity, extending socialist democracy, reduction of the paid staff from top to bottom, a more frequent removal of the administrative and control bodies, strengthening and extending the principle of electivity and accountability of the leaders, intensification of the collective principle of management in all the cooperative units, development of criticism and self-criticism with the aim of eliminating defects in the work and improving the personnel training.¹

1. "Information Materials of the Central Union of Consumers' Societies in the USSR"- Centrosoyuz, Issue 4, Centrosoyuz Publishing House, Moscow, 1961.

In Poland, the consumer cooperative societies are engaged actively in trading and public catering and in addition they own production establishments where they manufacture certain goods to supplement the range of goods sold in their shops. They have played a foremost role in developing new form of trading by introducing self-service shops and self-selection shops. At the end of 1962, the SPOLEM Union embraced 399 consumer cooperatives which run 22,900 restaurants, bars and coffee houses. The share of the consumer cooperatives in the total retail turnover ^{of} the country amounted to 21.0 per cent.¹ Consumer cooperatives had 2823 industrial enterprises employing 26087 persons and producing goods worth 11701000 zlotys in 1962.² In the same year, the consumer cooperatives had 3214 service stations, that performed services worth 64 million zlotys.³ Apart from its significance in the retail trade, the importance of the consumer cooperative movement is evident from its cooperative trading activities which constitute a form of releasing and harnessing public initiative and public control that makes the movement an integral part of the State socialist economy.

Consumer co-operatives in Czechoslovakia represented the most consolidated section of the non-capitalist trade at the time of the liberation of Czechoslovakia and at the beginning of country's march towards a new social system. During 1945-48 (the turbulent years)

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1. "The Consumer Cooperative Movement in Poland"- Spolem, Union of Consumer Cooperatives of the Polish Peoples' Republic, Warsaw, 1963, p.4
 2. "Cooperation as a Factor of Organisational, Technical and Social Progress in Small-ware Production in Urban Districts"- Supreme Cooperative Council, Warsaw, 1964, p.18.
 3. Ibid, p.19.

the distribution system was largely dominated by the private business which accounted for 83.2 per cent of the total national retail turnover in 1946, while the share of the State sector and cooperatives was only 6.4 per cent and 10.4 per cent respectively. With the progressive reconstruction of the economy along the socialist lines, the mutual relations changed in favour of the State and cooperative sector as is evident from the following tables:

TABLE - 32

PROGRESS OF THE SOCIALISATION OF RETAIL TRADE

SECTOR	(percentages)				
	1946	1948	1949	1950	1951
State-Owned	6.4	19.1	39.6	67.9	72.5
Cooperative	10.4	12.8	20.3	23.4	25.6
Private	83.2	68.1	20.1	8.7	1.8
TOTAL	100.0	100.0	100.0	100.0	100.0

SOURCE: The Czechoslovak Cooperative Movement in the Period of Socialist Reconstruction- Central Cooperative Council, Prague, 1965, p.31.

It is evident from the table that the programme of socialisation of retail trade was successfully completed only in six years and by 1951, the private sector accounted for only 1.8 per cent of the total national retail turnover while socialistic retail trading was responsible for 98.2 per cent of national retail turnover. The speed of the socialisation process is reflected partly in the reversal

of the relative position of the different sectors of the retail trade and partly in the rapid growth of cooperative shops from 5151 with membership of 72500 in 1946 to 25479 with a membership of 12500000 in 1953.¹

Owing to the delimitation, consumer cooperative movement has been further strengthened. They have recorded an increase of 51 per cent in retail turnover between 1953 and 1956, the number of shops have risen to 28479 and the cooperative catering establishments exceeded 15,000.² The delimitation also accorded an opportunity to the consumer cooperatives to implement their mission as social organisations by directly influencing the cultural, educational and political activities of the rural masses. In 1965, there were 103 consumer cooperative societies in Czechoslovakia with a total approximate membership of 1,700,000.²

The inevitable conclusion from the survey follows that under the conditions of the socialist State, the consumer cooperatives have developed into important social organisations which successfully implement their tasks in satisfying a substantial part of the market requirements of the population in rural areas where the consumer cooperatives actively participate in the consolidation and further development of socialist productive relations.

The cooperative movement which has traditions of old standing in Hungary, developed after the liberation of the country at a fast

1. Ibid, p.32

2. Ibid, p.33

3. Ibid, p.34

pace and in this development consumer cooperatives, as the most important form of trade organisation in the countryside, played a remarkable role. The following table depicts the growth of consumer cooperative movement in Hungary:

TABLE- 33
GROWTH OF CONSUMER COOPERATIVES

YEAR	No. of Societies	No. of Members
1949	3140	1341000
1950	3356	1423000
1955	1128	1405000
1957	1415	1634000
1959	1433	1650000
1960	1370	1663000
1961	1188	1674000
1965	—	2000000

SOURCE: "Hungarian Cooperation", 1965, p.4

The upward march of the consumer cooperative movement in Hungary is evident from the growing membership of these societies which stood at two millions in 1965. The decline in the number of societies is attributed to the three different processes of unification undertaken in 1948, 1950 and 1960, whereby the small and economically weaker consumers' cooperatives which in many places were hardly in the position to achieve a successful and profitable economy, joined their organisation and activity. These cooperative

societies have furthered the production activity in their sphere of operation which is concentrated on consumption, purchasing and marketing. Consumer cooperatives handled 30 per cent of the country's retail trade in 1965. The significant characteristic of the Hungarian consumer cooperative movement is its vehement adherence to the principle of cooperative democracy. It is by strengthening cooperative democracy that a flourishing cooperative life has emerged in all communities belonging to the regional consumers' cooperatives. The Hungarian Cooperators are striving now, to further increase their activities, for the whole nation and in the service of the progressive cooperative ideas.

Consumers' cooperatives in German Democratic Republic have not only participated effectively in the economic reconstruction programmes through their many sided activities, but have also enriched the life of the people by making them available the gains of economic progress through their widespread network of shops. With the view to improve and facilitate the retailing, the net work of cooperative shops is being comprehensively modernized and as a result in 1963, 36.1 per cent of all cooperative shops in GDR were self-service shops. Further, the consumers' cooperatives have also extended the facility of catalogue mail trade to its patrons. The hire service of the consumer cooperatives is an additional facility provided to the consumers which has made women work in homes easier as they can borrow a wide choice of household machines on a nominal charge. Consequently, the consumers' cooperatives now occupy a respectable place in the whole economy of GDR. In 1965, they possessed 38000 shops and department stores, 5500 restaurants

as well as 1500 factories and had a total membership of four million. They also transacted goods worth 17 thousand million marks in 1965 which corresponds to 34 per cent of the total retail trade of the country.¹ The consumers' cooperatives have their own weekly paper with a circulation of 125000 copies per week in 1965, which helps in the dissemination and spread of cooperative ideology. The training of skilled personnel for current tasks and their qualification for prospective tasks forms an essential part of the many-sided activity of the consumer cooperatives of the GDR. With a motto "Everything for our Socialist Republic-for the benefit of society, for the benefit of everybody", the consumer cooperatives are endeavouring effectively in the all round construction of socialism in the German Democratic Republic.

In brief, the consumers' cooperatives in the socialist economies have played, are playing and shall continue to play an exceedingly important role in their economic life, in the socialist reforms, in bringing about a cultural revolution and in raising the living standards of the people, as the motto of consumers' cooperative is identical with that of the communist parties of these countries: "Everything for the sake of man, for the benefit of man".

PHILOSOPHY OF CONSUMERS' COOPERATION IN INDIA:

Economic growth in India has disrupted the 'economic stability of stagnation and has necessitated an increased economic integration, particularly amidst the growing conflict between the search for maximum

1. "Consumer Cooperatives in the German Democratic Republic"-
Berlin, 1965, (p. not given)

individual profit and optimum social advancement. The Second Five Year Plan emphasised that the basic criterion for determining the lines of advance must not be private profit but social gain, and the pattern of development and the structure of socio-economic relations should be so planned that they result not only in appreciable increases in national income and employment but also in greater equality in incomes and wealth. It was realised that this objective can be pursued only through democratic planning and the pre-requisite for its success is the voluntary mass participation of the people in the economic reconstruction programmes. This necessitated the extension of cooperation, in all phases of social activity and in all the functions which brought together individuals for the pursuit of common purposes. The First Five Year Plan recognised that people have to cooperate among themselves and with the various agencies responsible for the formulation and execution of the Plan. The Second Five Year Plan also recognised, "Economic Development along democratic lines offers a vast field for the application of cooperation in its infinitely varying forms. The character of economic development in India with its emphasis on social change, therefore, provides a great deal of scope for the organisation of cooperative activity. The building up of a cooperative sector as part of the scheme of planned development is thus one of the central aims of national policy".¹ Thus, cooperation has been assigned the responsibilities of absorbing the resultant social and economic tensions, assimilating the mass

1. Second Five Year Plan - pp.221.

enthusiasm and affecting economic integration for orderly growth of Indian society along the objective of Cooperative Commonwealth. During the first decade of planning its sphere of activity remained largely confined to agricultural activities, and it appears that the Planning Commission did not attach great significance to the cooperative distribution of commodities and assumed that the link between the producers and ultimate buyers will be provided more or less automatically, as marketing firms spring up in response to price incentives. Rarely, was it recognised that the development of distributive sector to bridge the gap between producer and ultimate consumer, ^{is basic to the rapid development of the economy.} "Effective planning for economic development", as rightly observed by Holton and Collins, "must recognise that expansion of agriculture and agricultural based industries may call for correlative changes in the organisation and practices not just in the physical facilities, in the distribution sector. But one can go beyond this and argue that the distributive sector can in fact, be a leading sector in economic development."¹ Justification for the absence of a programme during the first decade of planning, to rationalise the channels of commodity distribution perhaps is that the distributive sector plays only a passive role in economic development whereas it can under certain circumstances, as pointed out by Hirschman and Banner, "play a very active role by changing demand and cost functions in agriculture and manufacturing in such a way as to encourage their expansion."² Thus, the building of

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1. Holton, R.H., and Collins, NR, "Programming Changes in Marketing in Planned Economic Development"- Kyklos, 1963, Vol.XVI, p.124
 2. Hirschman, A.O.-"Strategy of Economic Development"- New Haven, Yale University Press, 1958, p.112.

of distributive capacity stimulates the productive sector to supply the desired product mix and consumers' cooperatives appear immediately as a possible effective instrument with its inherent strength to affect the desired changes. However, two diametrically opposed views are expressed regarding the feasibility and practical utility of consumers' cooperatives under the Indian conditions.

The first opinion considers consumers' cooperatives of very little practical necessity and value and contends that in India, the activities of wholesaler and retailer are so widespread that there would be hardly any area about which, it can be argued, that there exists a vacuum in the distributive system. It also contends that the Indian businessman specially the retailer operates at such low margins of profit that the argument of exploitation of consumer, is left without any veracity. They also suggest that amidst various Acts like Industries Development and Regulation Act, 1951, Drugs Control Act, Prevention of Food Adulteration Act 1954, Essential Commodities (Supplies) Act, the Trade and Merchandise Marks Act, 1938, etc. exploitation of consumer by retailers through nefarious and questionable techniques is extremely difficult. They further argue that the establishment of Consumer Guidance Society 1966, Consumer Council of India, 1967, and Fair Trade Practices Association, 1967, has made the job of a businessman to exploit consumers' ignorance sufficiently difficult.

This opinion is challenged on the ground that the denial of the existence of the conditions of vacuum in the distributive sector

and consumers' exploitations in the Indian economy would amount to ignoring the hard facts. The M-M¹ (monopoly-monopsony) trading system prevalent in the rural areas needs to be defeated through planned endeavours and the only agency that can successfully wage war against it and fill the vacuum thereof, is the consumers' cooperative. The vacuum also exists in many new urban and sub-urban areas which do not have adequate and efficient system of commodity distribution. In the urban areas also, near monopoly position of the wholesaler requires powerful counter checks to accord protection to the consumer.

The argument that the consumers' cooperatives are generally not able to compete with the private retailer who operates at a very low margin can not be accepted without reservations. The observation made by the author that the retail prices are sufficiently inflexible (in the short period) particularly in their downward movement and are highly sensitive in their upward trend, wrecks this argument. For instance, the prices of sweets increased to Rs. 8 to 10 per kg. when the open market sugar price rose to Rs. 6 and now when the sugar price has declined to about Rs. 2, the prices of sweets recorded only a marginal decline in some cases, but remained sticky in most of the cases. Also, in the general run of prices, a match box was sold at 10 paise each and in spite of the retail price fixation of 6 paise by the manufacturer (WIMCO) it continues to be sold and purchased

1. Aziz, Ungku, A. "Cooperation as a Method to Increase Agricultural Productivity" - The Role of Cooperation in Social and Economic Development - (Proceedings of Regional Conference, Tokyo, Japan, 1964,)Asia Publishing House, 1966, pp. 30-32.

at 10 paise. Also, the substantial price variations from shop to shop, buyer to buyer and even locality to locality reveal the myth of the widespread low margin operations of the retailer. The fact of retail margin variations from commodity to commodity and even from season to season (particularly in case of goods having seasonal variations in their demand and supply) makes one cautious to accept the veracity of the argument.

The wholesaler and the retailer in the company of each other take the full advantage of scarcity conditions by charging exorbitant prices from the consumers. A psychosis of scarcity is created by resorting to hoarding which is followed by anti-social activities like profiteering and black marketing. Short weighments and measurements are a rule rather than an exception and worst than that is exploitation which takes the form of sale of adulterated, misbranded and spurious goods. Potentially harmful substances are added to the number of different foods and thus the consumer receives such a total aggregate of toxic and carcinogenic substances in their diet as to constitute a serious health hazard. Adulteration of food is being undertaken at an exorbitant scale and is said to range from 16 to 66 per cent giving an all-India average of 33 per cent.¹ The various Acts (mentioned earlier) have also failed to protect the consumers' interests either because these laws are not strictly enforced or the number of officials appointed to enforce them is limited because of the vast area, population

1. Sharma, T.R. and Jain, S.C. "Protection to the Consumer"-
Economic Times, dated May 13, 1970.

and magnitude of the problem. Even the non-official agencies (mentioned earlier) set up on the one hand to help and guide the consumer and on the other to lay down ethics of retailing have not succeeded in according the protection to the consumer. The techniques of marketing consumer goods, (for instance the gift scheme) adopted by the manufacturers are also dubious and have distorted the normal consumption behaviour of the consumer. Besides, in the country newer classes are enjoying a degree of prosperity unknown before and in the excitement of buying more and more, they give no thought to the quality and price of what they buy. This attitude of "new rich" class needs to be rationalised as it creates insurmountable difficulties to the other sections of the society. Lastly, India is becoming more and more of a sheltered market and there is neither an incentive to the producer nor an effective check on him to maintain the quality and standards of the commodities.

Ironically, we are depending primarily on a trio of non-consumer agencies to protect the consumers' interests- the Government, the advertiser and the producer himself. No wonder that the helpless consumer is left with no other option but to criticise the price increase and deteriorating quality of goods he buys, in an "ineffective, powerless, milder tone and that too confidentially rather than openly."¹

The second opinion, while accepts the utility and necessity of consumers' cooperation, is sceptical about its success on the belief

1. Dr. Parsad, Bhagwan- "Socio-Economic Study of Urban Middle Classes"- Sterling Publishers (P) Ltd., 1968, p.31.

that consumers are notoriously difficult to organise and in India it is probably well nigh impossible. Scepticism regarding the success of consumers' cooperatives is due to its failure in the past. They hold that in India, it has been more a child of necessity rather than a permanent feature, when profiteering and black marketing were rampant and the State introduced price controls and rationing, consumer cooperatives played a significant part but when controls were lifted and the scarcity of essential commodities largely disappeared and conditions of free trade were restored, these societies showed an exceptionally high casualty rate. There is no denying the fact that such an unfortunate phenomenon has occurred, but it is also true that before the Third Five Year Plan, no planned and coordinated endeavour has been made to nurse and strengthen the consumers' cooperatives. Apart from the modest programme stipulated in the Third Five Year Plan for the development of consumers' cooperatives, it is only with the launching of the centrally sponsored Consumers' Cooperative Scheme in 1962 that an effective step towards the organisation of consumer cooperatives was taken. Consequent upon the progress of the consumer cooperatives and the recognition of their paramount significance for the elimination of 'irrationalities of spending' which is basic for the achievement of self-sustained economic growth, Fourth Five Year Plan has very correctly stressed that "growth with stability being the key note of the Plan, agricultural cooperatives on one hand and consumer cooperatives on the other will occupy a central position in the strategy of cooperative development.

CONCLUSION:

The observations made in this chapter reveal that consumer cooperatives are a very powerful countervailing force to combat the evils of free-market economies. It has been observed that apart from blunting the power of monopoly to exploit the consumers, well organised consumer cooperatives accord the built-in-capacity to the economy to absorb the economic shocks and thereby help in minimising the economic oscillations inherent in free-market economies.

In the Socialist Economies, consumer cooperatives have promoted the development of productive forces and the rise of the material and cultural standards of the working people. Apart from the widespread net work of retail shops, consumer cooperatives have established manufacturing units and are also running a chain of restaurants. Their contribution to the cultural revolution in these economies has helped socialist reconstruction.

In India, the role of consumer cooperatives to hold the price line and also to check the spurious activities of the private traders is being increasingly realised. Their contribution for the establishment of 'ethics of retailing' in a highly imperfect distributive trade is widely accepted. In fact, the value of consumer cooperatives lay in their capacity to change negative habits and attitudes of mind and to develop human potentialities to the full. Consumer cooperatives are the greatest stabilizing influence in society and the means of rapidly advancing economic well-being. Consumer cooperatives have a shady past in the country but with the introduction of centrally sponsored

Consumer Cooperative Scheme which is discussed in the following chapter, it is hoped that the movement shall develop deeper roots and become an integral part of planned economic development of the country.

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CHAPTER - IV

GENESIS AND WORKING OF THE CENTRALLY SPONSORED CONSUMER COOPERATIVE SCHEME

The discussions in Chapter III have revealed the significance of consumer's cooperation in different types of economies of the world as stabilizing factor, protector of consumers' interests, and harbinger of new social and economic order. The importance of consumers' cooperation in Indian Economy emanates from its effectiveness in ensuring equitable distribution of scarce consumer goods at reasonable prices as well as its educative role in rationalising the spending pattern of the consumers. They can discipline the consumption habits of the common man. Indeed, omission of the programme for the evolution of a rational distributive sector in the Indian Economy during the first decade of planning is partly responsible for the distortions that have occurred in the consumption patterns. However, the tempo of increasing price instability, growing scarcity of consumer goods, and the helplessness of the unguided consumer amidst unchecked and uncontrolled rampant exploitation at the hands of the speculators, profiteers, black-marketeers etc. made the Planning Commission to realise the urgency of minimising the constraints in the

commodity distribution sector. In the Third Five Year Plan, it was rightly observed : "There is both urgent need and considerable scope for the development of a successful consumer cooperative movement specially in the urban areas...".¹ Consequently, a tentative programme to assist 50 wholesale stores and 2,200 primary consumer stores was formulated but even this modest programme thwarted realisation, as is evident from its working during the first year of the Third Plan period. Just, when the interest in consumers' cooperation was fading, the Chinese aggression in 1962 highlighted the urgency of building up a large net work of consumer cooperatives with the view to affect equitable distribution of consumer goods at fair prices. Accordingly, the Government of India sponsored number of schemes for accelerating the growth of consumer cooperatives which alongwith their working have been discussed briefly in this chapter.

**I - CENTRALLY SPONSORED SCHEMES FOR THE
DEVELOPMENT OF CONSUMERS' COOPERATIVES ;**

The Centrally sponsored schemes for the development of consumer cooperatives in the country are comprised of :

- A- a scheme for consumers' cooperatives among the general public in important urban areas including the accelerated programme for consumer cooperative stores;
- B- a scheme for the organisation of consumers' cooperatives among industrial workers;
- C- a scheme for the organisation of consumers' cooperatives among Central Government Employees,

1. For details see Third Five Year Plan. Planning Commission, Government of India.

- D- a scheme for the establishment of consumers' cooperatives in Universities and Colleges;
- E- a scheme for the supply of essential commodities to the rural population;
- F- a scheme for setting up cooperative consumer industries;
- G- a scheme for the establishment of State Federations of Consumers' Cooperatives.-
- H- a scheme for the creation of National Cooperative Consumers' Federation.

(A) Centrally Sponsored Consumers' Cooperative Scheme for Urban Areas:

This scheme was introduced in November, 1962, in supersession of all the previous schemes for consumers cooperatives and envisaged organisation of 200 whole-sale central cooperative stores and 4000 primary stores/branches amongst general public in metropolitan cities, State capitals and cities and towns with a population of 50,000 and over.¹ The whole-sale/Central Stores were either to be of Federal type with affiliated primaries or Unitary type with retail branches or Mixed type having both retail branches and primary stores, depending upon the local conditions. However, the organisational structure conceived to emerge in the long run was of the Federal type, but later on the emphasis was shifted to the unitary type of organisation. Each whole-sale/Central cooperative store was to be organised on an

1. Copy of Letter No. 9-9/62- Coord. dated 13.11.1962, Government of India, Ministry of C.D. & C. Addressed to all State Governments (Department of Cooperation).

average, with 20 member primary stores/retail branches with a minimum of 10 retail units in the beginning. The primary cooperative stores were supposed to have a membership of 500 each, however, in the initial stages the membership could be less, but they were not to be started without at least 100 members.

I. Financial Implications:

The pattern and extent of financial commitment was calculated on the assumption that in the long run there would be 20 primary cooperative stores/units with 500 members each affiliated to a whole-sale/central store and on a further assumption that each member would be spending Rs. 40 per month on the purchase of consumer goods from the retail units which will result in the annual sales of rupees two lakhs per retail unit and, therefore, Rs. 40 lakhs per whole-sale store. It was with the view, to meet this volume of business of each whole store that the provision and pattern of financial assistance was calculated as:

(a) Primary Cooperative Stores: Since, the stipulated membership of each primary cooperative store was 500 and the permission was also granted to set up the store with a minimum membership of 100, therefore, on the basis of Rs. 10 only as the value of one share and on the considerations that some members would purchase more than one share and other might make the part payment even of one share purchased by them, it was thought that the paid up share capital of each primary cooperative store would at least be Rs. 1,000/-. The Government contribution was to be on matching basis in the proportion

of 1:1 subject to the maximum of Rs. 2,500/-. In addition to the share contribution, the Government also proposed to provide a subsidy of Rs. 2,000/- per primary/branch store to meet the managerial expenses and rent.

(b) Whole-sale Cooperative Stores: On the consideration that each primary cooperative store would deposit 50 per cent of its share capital as share capital in the whole-sale store, the Government was to contribute rupees one lakh to the share capital of the whole-sale store on a matching basis. The paid up share capital of the whole-sale store thus, was to be a minimum of Rs. 1.20 lakhs to start with (Rs. 1 lakh from Government and Rs. 20000/- from 20 units at Rs.1000/- each) and this was supposed to increase with the increase in membership and the full payment of the share value over the period. On a further consideration that each wholesale store would provide goods to the primary units on monthly credit upto Rs. 4 lakhs (at Rs. 20,000/- per unit x 20 units), a provision was made by the Government for a clean credit upto Rs. 2 lakhs to each wholesale store through the central cooperative bank. The State Bank of India on the consideration of the recommendation of the Committee on Consumers' Cooperatives has also decided to undertake to finance the whole-sale consumers' cooperative societies on the security of goods in the whole-sale store and the primary stores.¹

1. Copy of Letter No. 13-49/61-Coord. dated 19.2.1962, Government of India, Ministry of CD & C (Department of Cooperation) addressed to all the State Governments.

Apart from the contribution to the share capital, the Government also provided a subsidy of Rs. 10,000 per whole-sale store to cover the managerial expenses and rent. In addition to this, a provision was also made to advance rupees one lakh to each whole-sale store (as 75 per cent loan and 25 per cent grant) for the construction of a godown and purchase of a truck.

(c) The Cost of Administration The scheme provided for the appointment of a senior officer along with the nucleus staff to assist the Registrar of Cooperative Societies in the organisation and administration of consumers' cooperatives. His pay and that of the nucleus staff estimated at Rs. 10 lakhs for the remaining period of the Third Plan was to be borne in full by the Government of India.

In short, the estimated expenditure by the centre on the scheme during the Third Plan was to be as follows:

	<u>Whole-sale Rate x No. of Units</u>	<u>Primary Rate x No. of Units</u>	<u>Total in (Rs.) lakhs</u>
1. Share capital contribution	Rs. 1 lakh x 200	Rs. 2500 x 4000	300.00
2. Cash Credit	Rs. 2 lakh x 200	--	400.00
3. Loan and grant for godown and purchase of truck (75% loan plus 25% grant)	Rs. 1 lakh x 200	--	200.00
4. Subsidy for managerial expenses	Rs. 10,000 x 200	Rs. 2000/- x 4000/-	100.00
5. Administrative expenses			10.00
		TOTAL:	<u>1,010.00</u>

With the view to strengthen the share capital, Government of India decided in 1965 to make additional share capital contribution to those wholesale stores which have already made matching contribution. The procedure evolved for the implementation of this policy was:

(a) to convert the clean credit loan already provided into share capital contribution in suitable instalments. Contribution by such conversion was to be in excess of the members share capital by Rs.2,500/-.

(b) to provide additional share capital contribution after the entire clean credit has been converted.

(c) to determine the maximum limit of Governments' share capital contribution on the basis of 25 x20% of the number of families in the towns or cities covered by the society.

The share capital contribution to the primary stores, on a matching basis of the paid up capital was also raised to Rs. 4,000/-.

Further, in order to minimise the financial difficulties of consumer cooperatives, Government of India took a decision in 1966 to offer for a limited period a limited guarantee to the approved Banking institutions for providing adequate finance to the whole-sale consumer cooperatives. The guarantee is available only in regard to the secured loans and advances granted before the 31st of December, 1971, Also, this guarantee is not to be invoked on more than one occasion by the Bank in respect of a particular society.

B- CASH CREDIT:

Cash credit loan amounting to Rs. two lakhs was for a period of 15 years and is repayable in 10 annual equated instalments with the first instalment both in respect of principal and interest, commencing from the 6th anniversary of the grant of loan which is to bear such rate of interest as is laid down by the Board.

C- LOANS FOR GODOWNS (to central whole-sale stores):

This loan is to be 75 per cent of the cost of godown, subject to the maximum of Rs. 50,000/- and the remaining 25 per cent is given as subsidy by the Board. The loan is for a period of 15 years, repayable in 14 annual equated instalments, falling due on the second anniversary of the grant of loan. The loan is to bear such rate of interest as is determined by the Board from time to time and is repayable on the first anniversary of the grant of loans.

**D- LOANS FOR PURCHASE OF TRUCKS AND EQUIPMENTS
(to central whole-sale stores)**

The loan at 75 per cent and subsidy at 25 per cent of the cost of truck and equipment (upto a maximum of Rs. 50,000) is given by the Board for a period of 5 years and is repayable in 5 annual equated instalments, the first instalment commencing from the first anniversary of the grant of loan. The loan is to bear such rate of interest as is determined by the Board from time to time.

E - SUBSIDY FOR MANAGERIAL EXPENSES AND RENT :

The maximum amount of subsidy allowed is Rs.10,000/- for a wholesale store and Rs.2,000 for a primary store spread over a period of 3 to 5 years and restricted to the actual expenditure on the managerial staff and the actual amount of rent.

F - COST OF ADMINISTRATION :

The Board is also to meet the entire cost on account of pay of the Joint Registrar as well as the pay of nucleus staff consisting of one stenographer and one peon. The cost of other staff such as supervisory and audit staff appointed to assist the Joint Registrar is shared between the Board and the State Government on the 50:50 basis.

II - Provision of Supplies :

The scheme stipulated that the responsibility to make available essential food grains, pulses, edible oils, sugar, etc. to the wholesale stores has to be accepted by the Ministry of Food at the Centre and Food Departments in the States. Similarly, Textile Commissioner has been made responsible to ensure regular supplies of textiles. Regarding the supply of drugs to the stores, it is the responsibility of appropriate Central and State agencies to take suitable measures. It is also advised that the wholesale stores should establish a liaison with the cooperative marketing organisation at the appropriate levels with the view to have an ensured supply of agricultural commodities. It is also suggested to establish coordination committees

at the Central and State level; so as to ensure a speedy and smooth line of supply of the commodities. A Central Purchase and Supply Organisation has also been set up to regulate the supply and distribution of consumer goods and also to ensure their availability at fair prices to the consumer stores.

The Ministry of Food and Agriculture (Department of Food) has also advised the State Governments to sponsor consumer stores as fair price shops to distribute the essential commodities at reasonable prices.¹

III. Other Internal Arrangements by the Societies

The whole-sale societies and primary stores are required to maintain efficient and experienced staff to enable their smooth functioning as popular and really serviceable institutions. It has also been suggested to credit the patronage dividend to the share accounts of the members till the societies become self-sufficient. A system of trade deposits from members should also be adopted to increase the internal resources of primary societies.

IV. Training of Employees of Societies:

In order to impart the required training to the staff employed by the wholesale and primary stores, a comprehensive programme has been worked out and arrangements have been made through the National

1. Copy of letter No. F.3-70/64-CC 10.9.64 Government of India, Ministry of CD & C (Department of Cooperation) Addressed to all State Governments.

Cooperative Union to implement the programme. The additional expenditure involved has been provided for this purpose under the main educational scheme.

ACCELERATED PROGRAMME FOR CONSUMER COOPERATIVE STORES:

In the wake of devaluation¹ of the rupee, it was decided by the Government of India in June, 1966, to strengthen the chain of consumer stores with the view to make consumer cooperatives an effective and permanent instrument for ensuring equitable distribution of essential commodities at fair prices. Consequently, a new scheme for the acceleration of the programme for consumer cooperatives was formulated with the following main features:

- (a) to establish 101 new wholesale stores with 2000 primary cooperative stores/branches and also to extend the area of operation of each of the existing stores to cover smaller towns with a population of 10000 or above;
- (b) to set up 43 big department stores;
- (c) to strengthen the share capital base of the National and State Federations so as to enable them to sustain the anticipated expansion in their business;
- (d) to establish a Central Purchase and Sales Organisation with the view to assist the National and State Federations in the procurement of all essential commodities;
- (e) to take up a large programme of training the employees of consumer cooperatives in order to enhance their operational

1. Annexure to Letter No. 1-4/66-CC, dated July 11, 1966. Ministry of Food, Agriculture, Community Development and Cooperation (Department of Cooperation).

The feature of singular importance of this programme was the idea of establishing Department Stores as the large sized retail units of the whole-sale stores and in order to make this idea a reality a very generous pattern of financial assistance was evolved.¹

The scheme recognised the need to provide a suitable accommodation for the stores in important shopping centres so that they are in a position to expand their business and capture a substantial amount of retail trade in their areas of operation. It was recommended that while a modest beginning might be made immediately the aim for the 3 categories of department stores should be to acquire the following floor area.²

- | | |
|--|---------------|
| (a) For metropolitan towns | 25,000 sq.ft. |
| (b) For towns with population between
5 lakhs and 10 lakhs. | 15,000 sq.ft. |
| (c) For towns with population between
2 lakhs and 5 lakhs. | 10,000 sq.ft. |

The scheme also envisaged the enrolment of 100 per cent of the fixed income groups as members of the consumer stores and the introduction of credit cards system. It has also been suggested to encourage the active participation of women both as members and workers to realise the efficient working of the consumer stores. It has further been suggested that 25% of the membership on Board of

1. Appendix- M

2. Annexure to Letter No. 1-4/66-CC, dated July 11, 1966, Ministry of Food, Agriculture, Community and Cooperation (Department of Cooperation), Government of India.

Directors may be reserved for women.

B- SCHEME FOR INDUSTRIAL WORKERS:

On the basis of a resolution adopted at the 20th session of the Indian Labour Conference held at New Delhi on 7th - 9th August, 1962, the Ministry of Labour and Employment, Government of India, formulated a scheme for the organisation of consumers' cooperatives in all public and private sector undertakings employing 300 or more workers, with financial assistance to be provided by the employers. The scale of assistance from the employers is calculated at the minimum for a primary cooperative of 250 members where each member is supposed to buy at least one share of Rs. 10/- only. The financial assistance for the establishment of a primary cooperative store is provided according to the following pattern:¹

	Rs.
(i) Share capital contribution or foundation money on matching basis	2500.00
(ii) Working Capital loan	10000.00
(iii) Management subsidy spread over a period of three years	1800.00
(iv) Accommodation free or on nominal rent	

The workers are also accorded the facility of getting the non-repayable advances from the Employees Provident Fund and the Coal Mines Provident Fund, in case of their not being in a position to purchase outrightly the shares of consumer cooperatives. The

1. Copy of Letter No. LMI (1)-30 (24/62), dated 13.10.1962, Govt. of India, Ministry of Labour and Employment.

Trustees of both the Funds have agreed to making such advances to the worker members upto 2 shares from the Coal Mines Provident Fund and upto 3 shares from the Employees Provident Fund.

The scheme has also visualised the affiliation of the primary cooperatives to district or central stores and in those areas, where no district or central consumer cooperative store is in existence, it would be necessary to set up central stores by grouping the primary cooperatives of industrial workers, operating in contiguous areas. The scheme also provided for the representation of the employees on the managing committee to the extent of 1/3rd of the strength of the committee or 3 in number, whichever is less with the view to ensure close employer-employee cooperation.

C- SCHEME FOR CENTRAL GOVERNMENT EMPLOYEES:

The Ministry of Home Affairs, Government of India introduced a scheme in 1963 for the organisation of a Central Cooperative Store amongst the central Government Employees at Delhi in the first instance and later on to be extended to cities with population exceeding 10 lakhs. The minimum membership for the establishment of the store is fixed at 500 with a potential population of 1000 in the area. The scheme visualised the setting up of a Central Cooperative Store with a number of branches in Government residential colonies and major office buildings in Delhi and New Delhi and in turn these stores were to be run by a cooperative society named "Central Government Employees Consumer Cooperative Society."

The authorised capital of the society is Rs.50 lakhs, consisted of 5 lakh shares of Rs.10/- each with the provision that no individual would hold more than 100 shares. With the view to solicit the participation of class III and class IV employees in this cooperative venture, they are allowed to deposit their share money in instalments of Rs.5/- and Rs.2/-, respectively. The financial assistance approved for the setting up of a wholesale consumer cooperative store under this scheme is on the following scales:¹

- (a) Provision of 100 per cent subsidy for staff consisting of secretary, assistant secretary, chief accountant, purchase officer and cooperative inspectors.
- (b) Provision of subsidy on a tapering scale for five years (100 per cent, 75 per cent, 50 per cent, 25 percent and nil, in the five years) for the remaining staff.
- (c) Provision of Rs.4 lakhs for share capital, Rs.2 lakhs for grants towards cost of furniture and equipment and Rs.3 lakhs for establishment, in the first year. It was also stipulated to increase the share capital contribution to Rs.10 lakhs and grants for furniture and equipment to Rs.5 lakhs, by the end of the fifth year.
- (d) Provision of cash credit facilities upto Rs.12 lakhs out of the total estimated working capital of Rs.20 lakhs in the

1. Copy of Home Ministry's circular No.8/1/62 - Welfare II dated 22.1.63, issued to all Ministries.

first year, which is to be drawn according to the needs. The credit facilities for future years are to be determined in the light of the experience of the working of the stores in the first year.

- (e) Provision of 50 per cent subsidy for the purchase of trucks.
- (f) Provision of suitable accommodation, rent free or on token rent by Government. These wholesale stores are eligible for affiliation to the respective State Federations for taking advantage of arrangements for supplies, including supply of imported goods, made for stores set up under the scheme for the general public. It is also provided that the primary stores in places where no separate wholesale stores could be set up, would affiliate to the wholesale store set up for the general public under the centrally sponsored scheme.

D - CONSUMER COOPERATIVE STORES IN UNIVERSITIES AND COLLEGES :

In 1966, Government of India introduced a scheme for the establishment of consumer cooperative stores in Universities and colleges with the view to make available the essential consumer commodities, text books, imported books, scientific instruments etc., to the staff and students. These stores are also required to offer such services as canteens and dissemination of information regarding the prices of essential consumer articles. The scheme also envisages

the enrolment of 100 percent members of the University-students and staff through persuasive measures.

The share capital contribution from the Government to each wholesale store varies from Rs.1.0 lakh to Rs.2.0 lakh depending upon the size of the University and population it is to cover.¹ The managerial subsidy spreaded over a period of two years is approved at the rate of Rs.10,000 for each wholesale store and Rs.2,000 for each primary store/branch.

The share capital contribution is in the form of a loan repayable over a period of 15 years in 10 annual equal instalments, with the first instalment commencing from the sixth anniversary of the grant of loan. The loan bears a rate of interest of 5½ percent to be paid annually and a penal interest of 2½ percent on over due instalments.

University stores are also covered by the Guarantee Scheme of the Government of India with the view to make them available adequate working capital. The Universities and Colleges are required to provide accommodation at nominal rent and electricity, water, furniture and fittings free of cost to the stores and canteens. The State Department of cooperation has been suggested

1. Copy of the letter No.2-8/66-cc dated 21st November, 1966, Ministry of Food, Agriculture Community Development and Cooperation (Department of Cooperation) Government of India.

to render the required assistance for the establishment of stores and also to provide necessary technical guidance. These stores are to be linked up with the nearest whole-sale set up by the State Government so as to ensure the uninterrupted availability of essential articles.

E - SCHEME FOR RURAL AREAS :

A centrally sponsored scheme for distribution of consumer articles in the rural areas was formulated by the Government of India in early 1963, as a complementary to the scheme drawn up earlier for the urban areas. At the time of the formulation of this scheme it was observed that only about 15,000 village cooperative societies were carrying on the distribution of consumer articles and therefore, speedy measures were required for the introduction of cooperative distribution of consumer articles not only to make available the essential consumer goods at fair price, but also to curb the virtual monopoly of village shopkeeper in consumer goods trade. The scheme does not provide for the setting up of any separate consumer cooperative society in the rural areas rather, it stresses that the distribution of standardised consumer articles is to be an activity attached to the village agricultural service or multipurpose or credit cooperative society. The scheme also suggests that the selection of consumer articles should be restricted to a few basic and

standardised commodities which have an established demand in the village.

The scheme advised that all supplies of consumer articles should be obtained by the village societies against cash payment and similarly, the village society is to supply the commodities only against cash to members and non-members. The scheme suggested that the funds required (estimated at Rs.15000/-) for a consumer section should be founded by village societies from the uninvested portion of their share capital and reserves. The scheme also suggested that, the ratio of shareholding and borrowings by the village cooperative from the central cooperative bank should be 1:20 instead of 1:10 in order to enable the village cooperatives to retain a part of their share capital for investment in their own business. In addition to these suggestions, the scheme provided for an overall maximum borrowing limit of Rs.5000 to selected village societies. In the event of the cooperative marketing societies undertaking the task of commodity distribution, the scheme proposed for each society an assistance of Rs.5000/- on the tapering basis for the employment of additional staff. On the assumption that about 2000 marketing societies would take up this activity, the scheme made a provision for Rs.30.00 lakhs as subsidy towards the employment of additional staff. The scheme also suggested ^{that} in the initial stages, the Apex Marketing Societies

should share the responsibility of making available the required consumer articles to the village societies, but at a later stage the primary marketing societies should find it worthwhile to obtain supplies from wholesale stores.

F - COOPERATIVE CONSUMER INDUSTRIES :

With the view to enable the consumer cooperative stores to supply the quality goods at fair prices and also to reduce the dependence of wholesale stores on private manufacturers, it has been proposed that consumer cooperatives should take up manufacturing and processing of consumer goods. It is considered that by producing 15 to 20 per cent of a commodity, consumer cooperatives can exercise reasonable influence on the price and quality of the consumer commodities. As a matter of fact, consumer cooperatives have to enter the production field keeping in view their present stage of development, so that their commercial operations are not prejudicially affected. However, in those spheres where cooperative processing and Marketing cooperatives are already running such industries, consumer cooperatives need not set up their own production units so as to avoid duplication. The consumer cooperatives should also explore the possibilities of entering into an agreement with an established manufacturer for securing the required quality of the product at predetermined price and with cooperative brand without directly setting up an industry. It is recognised that since, manufactur

consumer goods in certain fields is highly competitive, therefore, the entry of consumer cooperatives into the field of consumer industries essentially has to be carefully planned by taking into considerations the availability of resources, technical know-how, the level of demand and other factors, having a bearing upon the location of industries. It is realised that the establishment of consumer industries should be confined to consumer cooperatives at the level of National Consumer Cooperative Federation, State Consumer Cooperative Federation and the large Wholesale stores. It is also desired to explore the feasibility of establishing the consumer goods industries through collaboration between consumer cooperatives and agricultural producer cooperatives. With the view to foster the growth of cooperative consumer industries along the stipulated lines, a special cell under the charge of a Director has been created in the Consumer Division of Department of Cooperation, Ministry of Community Development and Cooperation, Government of India. Consequently, many schemes have been formulated for setting up production units and a pattern of financial assistance has been approved according to which a consumer cooperative setting up an industrial unit under the schemes is eligible for assistance upto 100 percent of the block capital expenditure where the estimated cost does not exceed Rs.1.0 lakh and upto 40 percent of the expenditure where the estimated cost

exceeds Rs.1.0 lakhs. In addition to this, managerial subsidy upto 100 percent of the approved expenditure during the first year, 66-2/3 percent during the second year and 33 1/3 percent during the third year on a tapering scale is also approved.

G - STATE FEDERATIONS OF CONSUMERS' COOPERATIVES :

The Government of India, on the suggestion of the National Cooperative Development Corporation devised a scheme in 1964 to set up State level Federations of Wholesale Consumers' cooperatives for assisting them primarily in the expansion of business. It has been realised that the wholesale stores would not be very large organisations and, therefore, to enable these wholesale stores to secure the advantages of large scale buying and also to undertake manufacturing consumers' goods,^{it is} necessary to set up a State Federation of Consumers' Cooperatives in those States where there are 10 or more wholesale stores to be affiliated to it or the wholesale stores to be affiliated ensure a minimum annual turn-over of Rs.50 lakhs. These Federations are business organisations with their main activities as, to :¹

1. arrange bulk buying of consumer goods required by the affiliated wholesale societies;
2. undertake production and manufacture of consumer goods where necessary or expedient;

1. Copy of the letter No.1-16/63-CC dated 24.1.1964, Government of India Ministry of Community Development and Cooperation (Department of Cooperation) addressed to all State Govts.

CHAPTER - V

CONSUMERS' COOPERATION IN JAMMU AND KASHMIR

In the previous chapter the working of the Centrally Sponsored Consumers' Cooperative Schemes has brought to light the grievous deficiencies which have blurred the future of the movement in the country. Owing to the widespread regional variations in the social and economic setting, which affect the functioning of the consumers' cooperatives, it is worthwhile to examine their operations in different regions of the country. The present chapter is, therefore, devoted to the analysis of the problems and prospects of consumers' cooperation in Jammu and Kashmir.

Consumer distress on account of rising prices and scarcity of consumer commodities during the Second World War led to the establishment of consumer cooperatives in the State with a view to affect fair distribution of scarce commodities at reasonable

prices. These consumer cooperatives were, indeed, the associations of small traders and were assigned the task of purchasing goods from the food and Supplies Department for onward distribution among private shopkeepers under the direction of the Department. With the cessation of the War, these stores lost their utility and consequently were wound up. In 1947, when the State's economy was given a serious jolt by the tribal raid, consumer cooperatives again emerged on the scene to serve as a deterrent force to the nefarious activities of the private trade. However, once again, with the restoration of normalcy the consumer cooperatives were neglected and practically nothing was done to protect the consumers from the ills of distributive sector dominated by the private traders till the launching of Centrally Sponsored Scheme in 1962. But, instead of organising the independent consumer cooperative wholesale stores, the two institutions, viz: The Kashmir Peoples' Cooperative Service Limited and Jammu and Kashmir Cooperative Supply and Marketing Federation Limited were assigned the functions of wholeselling for Srinagar and Jammu districts respectively. Separate sections for undertaking the activities of consumer cooperatives were set up within these two institutions and special committees were constituted to deal with all the matters pertaining to the consumers' cooperation. These two institutions had set up 38 retail depots (28 in Srinagar and 10 in Jammu) known as fair price shops to provide consumer articles at reasonable prices. Since the accounts of these retail depots were amalgamated with the

other business transactions of the institutions, therefore, no assessment of the working of the consumer section of these institutions is possible. However, the limited information available reveals that the K.P.C.S. sold goods worth Rs. 19.84 lakhs from July 1963 to September 1964, to its retail depots and out of this sugar sales alone accounted for 80 per cent of the total sales.¹ The working of the consumer section of these two institutions was highly unsatisfactory on account of lack of diversification of their business in consumer goods, local purchases of consumer articles, paucity of funds and above all, preoccupation of the institutions with their main activities of handling agricultural produce and providing fertilizers and consumer goods to the rural areas. Inefficient handling of the consumer section in the K.P.C.S. compelled the then Joint Registrar Cooperatives to dissolve the Managing Committee of the Store in March, 1965, and to appoint Deputy Registrar Cooperatives as an Administrator. In April, 1965, the Registrar Cooperative Societies disbanded the Purchase Committee and appointed a new Purchase Committee consisting of Joint Registrar, Manager K.P.C.S. and two Deputy Registrars Cooperatives. In fact, the consumer cooperative movement as visualised under the Centrally Sponsored Scheme had not made any beginning in the State till the functioning of consumer cooperative wholesale store, Srinagar, in October, 1965, and the wholesale

1. By courtesy of Programme Evaluation Office, Government of India, Srinagar.

cooperative Store, Jammu, in early 1966. In consequence, with the accelerated programme of consumer cooperatives, three new consumer cooperative whole-sale stores alongwith the Department Stores were set up at Anantnag, Baramulla and Udhampur during 1966-67. The working of the consumer cooperative wholesale stores including the department stores in the State is abridged in the following Table (next page).

The data presented in the Table reveals that the number of wholesale stores has increased from 5 in 1966-67 to 9 in 1968-69 and the number of branches operated by these stores has risen from 15 in 1966-67 to 42 in 1968-69. Likewise, the membership recorded an increase from 7067 in 1966-67 to 9127 in 1968-69. The total average membership per store which was 1413 in 1966-67 declined to 980 in 1967-68 but again increased to 1014 in 1968-69. The share capital has also increased from Rs. 1062 thousand in 1966-67 to Rs. 1465.4 thousand in 1968-69. It is interesting to note that the proportion of Government contribution to the total share capital was as high as 89.5 in 1966-67, 85.8 in 1967-68 and 85.3 in 1968-69. The amount of borrowing also has exhibited an upward trend from Rs. 2019 thousand in 1966-67 to Rs. 3329.7 thousand in 1968-69. Working capital has increased by 49.1 per cent that is, from Rs. 3499 thousand in 1966-67 to Rs. 5119.1 thousand in 1968-69. The financial commitment of the institutions and individual members in the consumer cooperative movement is extremely low for their combined share capital contribution constituted

TABLE - 38

PROGRESS OF THE CONSUMER COOPERATIVE WHOLE SALE STORES
(1966-67 to 1968-69)

PARTICULARS	(Rs. in '000)		
	1966-67	1967-68	1968-69
1. Number of Stores	5	8	9
2. Number of branches	15	34	42
3. Membership			
(a) Institutions	388	423	438
(b) Individuals	6679	7414	8689
(c) Total	7067	7837	9127
4. Share Capital			
(a) Government	950	1250	1250
(b) Institutions	58)	195	215.4
(c) Individuals	54)		
(d) Total	1062	1445	1465.4
5. Reserve Fund	416	494	324
6. Borrowing			
(a) Central Cooperative Banks	812	1590	1480
(b) Government	1207	1081	1849.7
(c) Total	2019	2671	3329.7
7. Working Capital	3499	4609	5119.1
8. Purchases	9825	9052	10676
9. Sales			
(a) Wholesale	1312	1010	2691
(b) Retail	7075	7598	8541
(c) Total	8387	8608	11232
10. Cost of Management			
(a) Salary	202	274	351
(b) Other expenses	216	236	299
(c) Total	418	510	650
11. Profit			
(a) No. of Stores	3	4	7
(b) Amount	44	29	25.5
12. Loss			
(a) No. of Stores	1	3	2
(b) Amount	224	23	197

SOURCE: By courtesy of the office of the Registrar, Cooperative Societies, J&K Government.

only 3.2 per cent of the working capital in 1966-67, 4.2 per cent in 1967-68 and 1968-69. The value of sales has also recorded a rise from Rs. 8387 thousand in 1966-67 to Rs. 11232 thousand in 1968-69. But it is apparent from the table that retailing was their predominant business activity as the retail sales formed 84.3 per cent of the total sales in 1966-67, 88.2 per cent in 1967-68 and 76.4 per cent in 1968-69. It is disappointing to observe that the sales turnover which already was very low has further declined from 2.4 in 1966-67 to 1.9 in 1967-68 and 1.6 in 1968-69. The cost of management has risen by about 55.5 per cent that is from Rs. 418 thousand in 1966-67 to Rs. 650 thousand in 1968-69. It is distressing to note that the cost of management as a percentage to the total sales has increased from 4.98 per cent in 1966-67 to 5.92 per cent in 1967-68 and 5.7 per cent in 1968-69. It is also discouraging to note that despite an increase in the number of stores in profit from 3 in 1966-67 to 7 in 1968-69 the amount of profit has declined from Rs. 44 thousand in 1966-67 to Rs. 25.5 thousand in 1968-69. Amount of loss in 1966-67 was Rs. 224 thousand while it declined to Rs. 32 thousand in 1967-68 but has risen to Rs. 197 thousand in 1968-69.

Owing to the depressing performance the impact of the consumer cooperative whole-sale stores on the retail prices in the open market is not effective and wholesome, barring a few exceptions. The chief reasons for the deplorable conditions of these stores are their small size; small and ineffective membership;

low level of sales coupled with high local purchases which has denied the surpluses to the stores; defective purchase policies; inefficient and high cost of management and the absence of motivation on the part of both the management and the members. Apart from their own weaknesses, the tough and severe competition from the private trade is still a very powerful factor to reckon with. The capacity of the private traders to affect price adjustments according to the time, person, place and occasion affords them an edge over the transaction of consumer cooperatives. Apart from the nefarious activities such as tax evasion, underweighting, adulteration, etc. the main strength of the private trader lies in his combining the tact and diligence to push the sales. Since control and risk of the trade are combined in one person in the private retailing trade, therefore, this institution enjoys a definite superiority over badly organised and managed consumer cooperatives. The effectiveness of the consumer cooperative to face the competition from the private traders depends ultimately upon its size of membership and its capacity to motivate them. Precisely, this relationship is explained with the help of the following equation:

$$E = m c^2,$$

where E = effectiveness of the consumer cooperative

m = the size of membership

c = capacity to motivate the members.

The equation reveals that the effectiveness of the consumer

cooperative (E) is not increased as much by an increase in the size of membership (a) as by a very slight increase in motivation (c). In brief, endeavours in the area of motivation can alone enhance the vitality and productivity of the consumer cooperatives.

PRIMARY CONSUMER COOPERATIVE STORES:

The primary consumer's cooperative stores are indeed the pillars on which the edifice of the consumer cooperative movement rests. But, the primaries in the State have only the casual business connections with the District wholesale stores as most of their purchases are affected from the open market. This lack of patronisation of the wholesale stores by the primaries, reveals yet another weakness of the consumer cooperative movement in the State. The primary consumer cooperative stores have been established in six of the nine districts of the State as is apparent from the following table:

TABLE -39

REGIONAL DISTRIBUTION OF PRIMARY CONSUMER COOPERATIVE STORES

(1967-68 and 1968-69)

Name of the District	1967-68 No. of Stores	1968-69 No. of Stores
1. Anantnag	1	1
2. Srinagar	24	23
3. Leh	7	7
4. Poonch	2	1
5. Boda	5	5
6. Jammu	6	6
Total:	45	43

SOURCE: Annual Administration Report on the working of Cooperative Societies in Jammu & Kashmir for the years 1967-68 and 1968-69. Department of Cooperative Societies, Govt. of J&K, pp. 44 and 38 respectively.

It is obvious from the above table that the primary consumer cooperative societies are heavily concentrated in Srinagar district in as much as they formed 53.5 per cent of the total number of societies in 1968-69. It is also apparent from the table that the primary consumer cooperative stores have not been organised in three districts of the State viz. Udhampur, Kathua and Baramulla. This reveals an imbalanced regional development of consumer cooperative movement and, therefore, needs to be corrected with the view to make available the benefits of consumer cooperation to wider sections of the population.

It is discouraging to observe that the number of primary stores has declined from 52 in 1966-67 to 43 in 1968-69 as is shown in the table on next page.

The statistics presented in the table reveal that not only the number of stores has declined but the membership has also fallen from 12579 in 1966-67 to 8451 in 1968-69. The average membership per store has also declined from 242 in 1966-67 to 207 in 1967-68 and 196 in 1968-69. The paid up share capital exhibited a decline from Rs. 240 thousand in 1966-67 to Rs. 168 thousand in 1967-68, however, it has recorded a small increase in 1968-69 when it stood at Rs. 170 thousand. Amount of borrowings decreased from Rs. 1427 thousand in 1966-67 to Rs. 333 thousand in 1967-68 with a small rise to Rs. 343 thousand in 1968-69. Likewise, working capital has decreased from Rs. 1783 thousand

TABLE - 40
WORKING OF THE PRIMARY CONSUMER COOPERATIVE STORES
(1966-67 to 1968-69)

PARTICULARS	(amount in rs. '000)		
	1966-67	1967-68	1968-69
1. Number of Stores	52	45	43
2. Of which dormant	9	7	11
3. Membership	12579	9352	8451
4. Paid up share capital	240	168	170
5. Of which Government contribution	90	65	69
6. Borrowings	1427	333	343
7. Working Capital	1783	502	515
8. Purchases	1929	658	755
9. Sales	3001	809	788
10. Cost of Management	125	60	-
11. Of which salaries	82	39	-
12. No. of stores in profit	32	33	13
13. Amount of profit	20	11	9
14. No. of stores in loss	11	7	14
15. Amount of loss	6	7	12
16. No- profit-No-Loss	9	5	16

SOURCE: Annual Administration Reports on the working of Cooperative Societies in Jammu & Kashmir State for the years 1966-67, 1967-68 and 1968-69, pp.31-32, 44-45 and 38 respectively.

in 1966-67 to Rs. 502 thousand in 1967-68, with an increase to Rs. 515 thousand in 1968-69. The amount of purchases has fallen from Rs. 1727 thousand in 1966-67 to Rs. 658 thousand in 1967-68, but these increased to Rs. 755 thousand in 1968-69. Similarly, the sales fell from Rs. 3021 thousand in 1966-67 to Rs. 788 thousand in 1968-69, and alongwith that, there also occurred a decline in the already low sales turnover from 1.7 in 1966-67 to 1.5 in 1967-68. The number of stores in profit which rose from 32 in 1966-67 to 33 in 1967-68, fell to 13 in 1968-69, alongwith this profits declined from Rs. 20 thousand to Rs. 9 thousand. It is interesting to note that while the number of stores in profit increased to 33 in 1967-68, the amount of profit declined to Rs. 11 thousand. The number of stores running in loss have declined from 11 in 1966-67 to 7 in 1967-68 but increased to 14 in 1968-69. The amount of loss recorded 100 per cent rise from Rs. 6 thousand in 1966-67 to Rs. 12 thousand in 1968-69. Total amount of loss in 1968-69 that is Rs. 12 thousand was greater than the total amount of profit in that year which stood at Rs. 9 thousand. It is distressing to observe that with the decline in over all operational efficiency of these stores, the management costs as a percentage to total sales has increased from 4.1 in 1966-67 to 7.3 in 1967-68.

This brief review has unfolded the deplorable working of primary consumer cooperatives in the State and the main reasons for this poor performance among others are higher prices particularly

of the commodities which act as price leaders; lack of proper accommodation; malpractices; lack of punctuality in enforcing shop hours; inadequate display of the available consumer articles; short-supply of essential goods; poor accounting system; poor quality of service and untrained and disinterested management.

Thus, mixed organisational pattern (Federal as well as Unitary) of consumer cooperatives has emerged in the State, with Cooperative Wholesale Stores having their own branches and also the primary cooperative stores affiliated to them. The low level of consumer cooperative activity since did not warrant the establishment of State cooperative Consumer Federation, therefore, consumer cooperatives have a two-tier organisation with wholesale stores at district level and primary cooperative stores at mohalla or halqa level. Absence of a Central Organisation has not only denied the benefits of guidance and coordination of the activities of consumer cooperatives but has also minimised the advantages of bulk-buying. The two-tier organisation since has failed to establish a permanent rapport among the consumer cooperatives, therefore, each of the stores has devised its own operational policy. Consequently, it has suffered from high operational costs resulting in low or no profits to them. This situation calls upon the establishment of a central organisation preferably in collaboration with the marketing cooperatives to guide, assist and coordinate the activities of consumer cooperatives.

It is, indeed, disappointing to learn that the consumer cooperatives in the State have earned the disrepute of being the special preserve of the vested interests and 'dens' of self-seekers. The growing disenchantment of the people with the movement bears testimony to the erosion of its power of deliverance from the elements of exploitation. Shorn off the lustre of self-less service, dedicated and loyal patronage, consumer cooperatives have remained ineffective in establishing their moral authority in the distributive trade and also in counteracting the spiralling prices of consumer articles. However, a few occasional bright streaks of success here and there, act as beacon light and rekindle the hope and faith in the soundness of its time-honoured philosophy. If enthusiasm alone is aroused and the motivation inculcated, consumer cooperatives are capable of unleashing an avalanche of dynamism that can engulf not only its own weaknesses but also the vices of distributive sector. Judicious selection of commodities to be traded; pursuance of active price policy; encouragement of the members to purchase a minimum number of shares and to maintain the trade deposits with the stores, intelligent and regular inspection and auditing of the stores; establishment of a central organisation to coordinate the working of consumer cooperatives; inculcation of effective links with other cooperative societies particularly, marketing cooperatives and industrial cooperatives within and outside the State; creation of a common pool of trained management personnel and the exchange of experience and know-how through regular discussions

and discourses among the managers of the consumer cooperatives stores, are some of the measures that can help in enhancing the operational efficiency of the consumer cooperatives in the State.

FUTURE PROGRAMME:

With the transference of the Centrally Sponsored Consumer Cooperative Scheme to the State sector during the year 1969-70, the responsibility for the formulation of the development programme for the consumer cooperatives now rests with the State Governments. Consequently, the development programme designed by Jammu and Kashmir Government regarding consumer cooperatives in the Fourth Five Year Plan envisages strengthening of existing wholesale and primary stores; additional assistance to existing Department Stores, opening of 12 large sized retail outlets, establishment of State Federation, constitution of inventory losses fund, organisation of management pool for consumer cooperatives and establishment of consumer industries. In order to implement the stipulated programme a total provision of Rs. 30.25 lakhs has been made in the Fourth Five Year Plan with the phasing as under:¹

1969-70	Rs. 1.80 lakhs
1970-71	Rs. 1.88 lakhs
1971-72	Rs. 8.80 lakhs
1972-73	Rs. 8.95 lakhs
1973-74	Rs. 8.82 lakhs

1. By courtesy of the office of the Registrar, Cooperative Societies, Jammu & Kashmir Govt., Jammu/Srinagar.

The development programme appears to be realistic and capable of achievement. If it succeeds, the consumer cooperatives can surely have a stronger foundation and bright future.

However, in order to determine the various dimensions of the development programme, it is essential to undertake the micro-studies as such studies alone can provide the basis for the formulation of a realistic programme for their revitalisation. It is from this point of view that a study of the Srinagar consumer cooperative whole-sale store was conducted by the author during 1969-70. The major observation made during the course of investigation have been discussed in the following pages.

SRINAGAR COOPERATIVE WHOLE-SALE STORE LIMITED, SRINAGAR:

This wholesale store was registered on 21st September, 1965, under the Centrally sponsored Consumer Cooperative Scheme, but it started operating from 16th October, 1965. According to bye-laws, its area of operation is confined to the Municipal Limits of Srinagar city and its extensions, having a population of 3.30 lakh in 1967.¹ The store has a mixed structural pattern, Federal as well as Unitary with 23 primary consumer cooperative societies affiliated to it and 8 branches in 1968-69, scattered in Srinagar city.

1. Membership:

The membership of the store is consisted of the following categories:

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1. "Digest of Statistics 1968-69"- Directorate of Economics and Statistics, Government of Jammu & Kashmir, 1970, p.25.

- A. Class:- The affiliated primary cooperative store.
- B. Class:- Individual consumers (not exceeding hundred) who have attained the age of 18 years and are competent to contract and are residing with ⁱⁿ the area of operation of the store.
- C. Class:- State Government
- D. Class:- Employees of the Store.

Bye-laws of the store also provide for an accommodation of merchants, traders, commission agents and other such persons from whom the store makes the purchases, as "nominal members".

The total individual membership of the store stood at 1511 on 31st October, 1970, as against 75 in 1965-66. An idea of the growth of membership is given in the following table:

TABLE-41
GROWTH OF MEMBERSHIP¹
(1965-66 to 1969-70)

YEARS	Number of Members	Annual increase in Membership
1965-66	75	-
1966-67	761	686
1967-68	1297	536
1968-69	1479	182
1969-70	1511	32

SOURCE: Compiled by the author on the basis of the information given in Membership Register maintained by the Store.

1. Figures in Table are at variance with membership figures published in the Annual Administration Reports on the working of Coop. Soc. in J&K which stood at 1411 in 1967-68 (with 1387 individuals, 23 institutions and one govt.) 1376 in 1968-69 (with 22 institutions, one govt. and 1353 individuals.)

It is obvious from the above table that the membership of the store has continuously been growing but the rate of growth has declined considerably. The membership of the store constituted only 0.39 per cent of the population of Srinagar city in 1967. It is also apparent that 81 per cent of the total membership was acquired in 1966-67 and 1967-68. In addition to these individual members, there are 23 primary consumer cooperative stores affiliated to it. It is interesting to note from the following table that 98.3 per cent of the members have acquired only one share each.

TABLE - No. 12

COMPOSITION OF MEMBERSHIP ON THE BASIS OF
SHARES HELD
(as on 31st October, 1970)

NO. OF SHARES	No. of members holding ^{varying number of} shares
One share	1486
Two shares	5
Three Shares	1
Four shares	2
Five shares	4
Five-Ten shares	13
Total	1511

SOURCE: Compiled by the author on the basis of the information given in the Membership Register maintained by the Store.

The table above indicates that the number of members holding more than one share is only 25, out of which 13 members are holding more than 5 shares each.

Another interesting feature of the membership of the store is that it has mainly been drawn from the age group of 25-55 years, as is evident from the following table:

TABLE-42
AGE COMPOSITION OF THE MEMBERS

AGE GROUP	No. of Members
Less than 18	5
18 - 25	125
25 - 55	877
55 and above	88
Total	1095

SOURCE: Compiled by the author on the basis of the information given in the Membership Register maintained by the Store.

It is apparent from the table that out of the total membership of 1511, age records of only 1095 members are available and out of this, as many as 877 are in the age group of 25-55 years. The number of members with an age above 55 years is only 88, while there are 5 members with an age of less than eighteen years, which is in contravention to the bye-laws of the Store.

Another feature of store's membership is that it is mainly consisted of those who are in service as is shown in the following table:

TABLE - 44

OCCUPATIONAL DISTRIBUTION OF MEMBERS
(as on 31st October, 1970)

TYPE OF OCCUPATION	No. of Members
1. Service	659
2. Business	206
3. Students	33
4. Retired Personnel	22
5. Agriculturists	19
6. House wives	18
7. Miscellaneous ¹	52
Total	1009

SOURCE: Compiled by the author on the basis of the information given in the Membership register maintained by the Store.

It is obvious from the above table that the information regarding the occupation of the member is available only in respect of 1009 members and out of these, 659 are in employment. The members belonging to business community number 206, while membership from other types of occupations is negligible. The total number of female members is 33 out of which 18 are house-wives and the rest are in service.

1. Miscellaneous include Doctors, lawyers, transporters, contractors, labourers, etc.

These observations reveal that not only the size of membership is extremely small but also that practically no attempt has been made to increase it. It appears that members are neither willing nor have been persuaded to purchase more than one share each. It is encouraging to note that an overwhelming majority of the members is drawn from active age group which normally should be an asset to the store. The fact that substantial majority of the members are employees mainly of the State Government and float between Srinagar and Jammu owing to Darbar Movement, therefore, working of the store is influenced by members belonging to business community and this is deleterious to the interests of the store. The female membership is negligible, therefore, efforts should be made to enlarge the membership base by enrolling more members from the weaker sections of the society and womenfolk.

2. Share Capital:

Authorized share capital of the store before the amendment of bye-laws in 1967 was Rs. 1.70 lakhs and was comprised of:¹

100 "A" class shares of Rs. 500 each	50,000.00
100 "B" class shares of Rs. 100 each	10,000.00
200 "C" class shares of Rs. 500 each	100,000.00
1000 "D" class shares of Rs. 10 each	10,000.00

Total ..	1,70,000.00
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1. Bye-laws of the Store.

According to an amendment of the bye-laws in 1967, authorised share capital of the store has been raised to Rs. 10.00 lakhs and is consisted of:¹

200 "A" class shares of Rs. 500 each	1.00 lakh
3500 "B" class shares of Rs. 100 each	3.50 lakh
1500 "C" class shares of Rs. 100 each	5.00 lakh
5000 "D" class shares of Rs. 10 each	0.50 lakh
<hr/>	
Total:	10.00 lakhs
<hr/>	

The subscribed and paid up share capital of the store has recorded an increase from Rs. 119300 in 1965-66 to Rs. 433515 in 1969-70, as is indicated in the following table:

TABLE-45
SHARE CAPITAL STRUCTURE(1965-66 to 1969-70)

Year	Indivi- duals ²	Primaryes (Rs.)	Government (Rs.)	Total (Rs.)
1965-66	1265	18035	100000	119300
1966-67	12725	18035	400000	430760
1967-68	13880	18035	400000	411915
1968-69	15390	18035	400000	433425
1969-70	15480	18035	400000	433515

Source: By courtesy of the office of the Manager, Srinagar Cooperative Wholesale Store Ltd., Srinagar.

1. Ibid -do-
2. Individuals include both "C" and "D" class share holders.

It is obvious from the above table that the increase in share capital is mainly because of the increased share capital contribution from the Government which constituted 92.3 per cent of the total share capital of the store in 1969-70, while the contribution to the share capital from individuals was only 3.6 per cent. It appears that adequate attempts have not been made to raise the share capital contribution from individuals which has increased only marginally since 1966-67 whereas the share capital contribution from the primaries has remained constant ever since the inception of the store.

Working Capital:

The working capital of the store is consisted of share capital, loans, subsidies, deposits and securities, etc. The break up of the working capital into its different constituents is given in the following table:

TABLE -
46
COMPOSITION OF WORKING CAPITAL (1965-66 to 1969-70)

Particulars	1965-66	1966-67	1967-68	1968-69	1969-70
1. Share Capital	119300	430760	431915	433425	433515
2. Borrowing					
(a) J&K State Coop. Bank	114458	812300	752267	776552	725357
(b) Government Loans	75000	275000	180000	189700	12000
3. Reserves	3000	-	-	-	-
4. Subsidies	30000	-	-	-	-
TOTAL:	338758	1520760	1364182	1399677	1178872

SOURCE: Compiled by author on the basis of information supplied by the office of the Registrar, Cooperative Department and office of the Manager, Wholesale Store, Srinagar.

It is apparent from the above table that the major component of the working capital is the borrowing from J & K State cooperative bank which constituted 33.7 per cent of the total working capital in 1965-66 but in the subsequent years its share has increased to 53.1 per cent in 1966-67, 55.1 per cent in 1967-68, 55.3 per cent in 1968-69 and 61.5 per cent in 1969-70. However, it is interesting to note that it is 'amount outstanding' rather than the amount borrowed from the bank which has been included in the working capital, otherwise, amount of working capital would have been much larger. The amount of borrowing made by the store from J & K State Cooperative Bank was Rs. 7.13 lakhs in 1965-66, Rs. 11.80 lakhs in 1966-67, Rs. 11.96 lakhs in 1967-68, Rs. 15.65 lakhs in 1968-69 and Rs. 8.73 lakhs in 1969-70.¹ The store has been in a position to borrow such large sums because of its credit limit having been fixed at Rs. 10.35 lakhs including the pledge loan credit limit of 3.0 lakhs.

It is also amusing to learn that the amount of credit due to the suppliers of commodities and others has also not been considered as constituent of the "working capital" otherwise the size of the working capital would have been swelled considerably as the store has made substantial purchases on credit and this amount under the head "sundry creditors" stood at Rs. 0.16 in 1965-66, Rs. 2.72 lakhs in 1966-67, Rs. 2.52 lakhs in 1967-68 and

1. By courtesy of the office of the Manager, Srinagar Cooperative Wholesale store Srinagar.

Rs. 2.97 lakhs in 1968-69.¹

Management:

The bye-laws of the store provide for the establishment of the Board of Management consisted of fifteen representatives as follows:-

- (a) six representatives of the primary store under the Centrally Sponsored Scheme;
- (b) one representative of stores in the Industrial sector;
- (c) one representative from the stores in Departmental Section;
- (d) Three representatives of individual share holders;
- (e) one representative of the Financing Bank; and
- (f) Three representatives from the State Government.

Bye-laws of the store, for expeditious disposal of day to day issues also provide for the constitution of an Executive Committee of not more than five members from amongst the members of the Board of Management with the proviso that such an Executive Committee shall include the President of the Store and one representative of the Government from its nominees on the Board of Management. Bye-laws also provide the setting up of a Purchase Sub-Committee with General Manager of the Store as its Secretary to study the market conditions and advise the store with respect to its purchases. However, the strength of the Board of Management

1. Balance Sheet of the Store for the years 1965-66, 1966-67 1967-68, and 1968-69. (See Appendices P, Q, R & S.)

has been reduced from 15 to 10 according to an Amendment of the bye-laws of the Store in the year 1967. The first Board of Management constituted in 1965 with a member of the State Cabinet as its President has fourteen members, out of which six were rich business men, two were Government contractors and two forest lessees, three members were the nominees of the Government and one was representing the J & K State Cooperative Bank. A Purchase Committee was also established in 1965 but it did not function effectively. After the expiry of the term of one year as prescribed in the byelaws, a new Board of Management was elected for the year 1966-67. The composition of the new Board of Management did not show any significant change from the point of view of the members' occupation. Owing to unsatisfactory functioning of the store, the Board of Management was superseded in 1967 and a committee consisting of five officers of the State Government and three non-official was appointed to look after the affairs of the store. A new Advisory Committee was constituted in 1968 with the following functions.¹

- (a) to lay down the procedure and policies for the purchases to be made by the store;
- (b) to examine the price structure of the commodities purchased by the store and review it from time to time in accordance with a view to fix the sale prices of the commodities;

1. Government Order No. 151, Coop. of 1968, dated 28.10.1968.

- (c) to guide the store in matters relating to the display and publicity of the goods put on sale in Super Bazar and other depots of the store.
- (d) to advise the store with respect to the recruitment and training of the personnel employed by the store;
- (e) to advise the store in regard to the working capital required by the store;
- (f) to advise regarding policies to ensure discipline amongst the staff of the store;
- (g) in general, to advise the store on matters conducive and necessary for the promotion of the aims and objectives of the store;

This Advisory Committee could not attend to its responsibilities and duties largely because of their indifferent attitude and also ^{due to} the lack of appreciation of their responsibilities. Consequently, a new Advisory Committee was appointed in 1969 and this Committee with slight changes in its composition, continues to function. Despite the appointment of Advisory Committee, the Store continues to function inefficiently and ineffectively because of the absence of planned purchase, sales and price policies, defective maintenance of records and the commitment of many irregularities. It is thus apparent that the appointment of Advisory Committee has not helped

1. By courtesy of the office of the Manager, Spinagar Consumer Cooperative Wholesale Store, Spinagar.

in improving the efficiency of the Store. It is, therefore, suggested to restore the democratic management of the Store for, it is likely to arouse the interests of the members in its operations and shall revitalise its functioning.

Sales:

The Store commenced its operations from 16 October, 1965, and dealt in both controlled (mainly sugar) as well as uncontrolled commodities but after December 1966 it did not sell the controlled commodities because the Government preferred to sell sugar (the only controlled commodity being sold by the store) through its own retail outlets and also due to the easy supply position of sugar in the market. In 1965-66, the goods were mostly sold through the primary consumer cooperative stores and its fair price shops. In 1965-66, the store sold goods worth Rs. 923674.89 out of which, sugar sales accounted for Rs. 509656.02 that is, 55.2 per cent of the total sales.¹ With the establishment of Super Bazar in 1966-67, the sales recorded a significant increase as is evident from the following table(next page).

It is obvious from the table that the record sales amounting to Rs. 44.58 lakhs were realised in 1966-67 and, thereafter, they declined to 14.71 lakhs in 1967-68. This substantial decline in the sale during 1967-68 was due to disturbed conditions

1. By courtesy of the office of the Manager, Srinagar Consumer Cooperative Wholesale Store, Srinagar.

TABLE 47

SALES OF THE WHOLESALE CONSUMERS' COOPERATIVE
STORE, SRINAGAR
(1965-66 to 1969-70)

YEAR	(Rs. in lakhs)			
	Sales to Primary consumer coopera- tive store	Sales through other retail outlets	Total store sales	Monthly average
1965-66	1.60	7.64	9.24	0.77
1966-67	1.25	43.33	44.58	3.72
1967-68	2.49	11.22	14.71	1.23
1968-69	3.65	18.52	22.17	1.85
1969-70	0.36	10.08	10.44	0.87

SOURCE: (1) Annual Administration Reports on the working of Cooperative Societies in Jammu and Kashmir State for 1966-67, 1967-68 and 1969-70, pp.30, 42 and 30 respectively.

(2) By courtesy of the office of the Manager, Wholesale Stores, Srinagar.

in the city, as a consequence of which the Store has to remain closed for couple of months. In 1968-69, the sales amounted to Rs. 22.17 lakhs ^{which} were higher than 1967-68, but in the subsequent year, 1969-70, again fell down to Rs. 10.44 lakhs. It may be pointed out that in 1969-70, goods worth Rs. 3.00 lakhs were sold on consignment basis.

The danger in this practice lies in making the Store a medium of advertisement and the sales agent of the manufacturers and sellers of these goods. Also the suppliers of these goods

through various types of temptations can succeed in detracting the responsibility of salesman to push up the sales of other articles in the Store. Therefore, the management should assess the effects of consignment sales before agreeing to such a practice. It is interesting to note that the sales to primary consumer Cooperatives Stores in 1969-70 amounted to only Rs.0.36 lakhs indicating the dissatisfaction of the primaries in their trade transactions with the wholesale store. It is also apparent from the above table that a substantial share of the sales is being affected through outlets other than the primaries.

The wholesale store affects its retail sales through super bazars and fair price shops located in Srinagar city. During the years 1967-68 and 1968-69 there were 10 fair price shops, but their number declined to 8 in 1969-70. However, at present only one fair price shop is functioning where salesman is working on commission basis and rest of the fair price shops ^{have been} closed during 1970-71 owing to their defective functioning and the losses thereof. Out of the two Super bazars run by the Store, one has been closed and, therefore, only one Super Bazar is functioning at present. The working of this Super Bazar is also not encouraging as can be visualised from the following table :

TABLE NO.-48

SALES OF SUPER BAZAR, LAL CHOWK

Name of the Section	1968-69	1969-70	1970			
			July	August	Sept.	October
1. Grocery	257466.01	295260.91	closed	closed	10698.43	8068.40
2. Edible oil	508075.58					
3. Soap	143609.53	93301.85	closed	closed	closed	4958.75
4. Cosmetics	156871.10	118797.03	closed	6419.25	13424.61	10938.43
5. Stationery	46110.39	26001.57	closed	closed	closed	closed
6. Electric goods	173173.38	88313.16	1338.00	1686.86	3253.86	2382.43
7. Enamled goods	111147.61	99675.81	closed	closed	closed	5191.84
8. Hosiery	225800.70	76262.16	closed	closed	closed	closed
9. Shoe	60132.74	49474.22	closed	1622.00	778.10	closed
10. Crockery	78698.02	33218.02	closed	closed	2290.65	2084.95
11. Lady	29255.71	15318.34	-	-	-	-
12. Cloth	<u>75652.87</u>	<u>101633.03</u>	<u>closed</u>	<u>closed</u>	<u>closed</u>	<u>2166.64</u>
Total:	1865993.64	907256.10	1338.00	9728.11	30445.55	33791.44

SOURCE : By Courtesy of Office of the Manager Consumers' Cooperative Wholesale Store, Srinagar.

The above table confirms the delapidated condition of the Super Bazar, Lal Chowk as, its sales have recorded a big decline from Rs.1865993.64

in 1968-69 to Rs.907256.10 in 1969-70. It may also be pointed out that the edible oil section was merged with grocery section in the beginning of 1969-70, whereas, the lady section was merged with shoe section in December 1969. It is interesting to note that during July 1970, only electric goods section was operating and even in the subsequent months, many sections of the Super Bazar have remained closed. The closure of the sections for varying lengths of period was due to the stock verification undertaken by the Department of Cooperative Societies. This practice of suspending the sales operations during stock verification is pernicious to the viability of the store and, therefore, should be avoided. Average monthly sales of the Super Bazar have fallen from Rs.155499.4 in 1968-69 to Rs.75504 in 1969-70 and during October, 1970 these amounted to only Rs. 33791.44. This state of affairs regarding the working of the Super Bazar - the only outlet for the sale of goods in operation, is highly discouraging. Super Bazar, Maharaj Ganj which affected sales amounting to Rs.58397.96 was closed in November, 1969. The eight fair price shops sold goods worth Rs. 77732.64 during 1969-70 and 7 of them have been closed during the year. An egg and fowl section was also started on commission basis in the building, housing the Super Bazar but it has also been closed. This practice

of leasing out the section to a private firm defeats the very purpose of opening the Stores, since no private contractor would sell goods without making profit even if prices are fixed by the management of the department stores. It is difficult to ensure the standard laid down as regards to the quality of goods sold by the outside agency. It is, indeed pleasing to learn that the practice of leasing out a section to the private agency has been discontinued, but in the process the section itself has been closed, which is not a healthy development. The poor sales performance of the Store is attributed to the multiplicity of factors, some of them are :

- (1) Injudicious purchases affected by the Store which resulted in the accumulation of unsaleable goods and this has caused the locking up of a substantial portion of the working capital, which otherwise would have been utilised for the purchase of "high moving" goods;
- (2) The price policy pursued by the Store has been most defective, as it did not take into consideration the oscillations in the market prices of the goods and as a result very often the prices of the goods in the Store were higher than the market prices;
- (3) Indifferent attitude of the salesmen towards the customers largely because of the lack of any incentive to them to push up the sales;

- (4) Absence of sales promotion techniques has acted as a repulsive factor in relation to the customers;
- (5) Failure of its employees to disseminate the cooperative message and exhibit the qualities of good salesmanship owing to lack of training and business acumen;
- (6) Fierce competition from the private retailers;
- (7) Heavy purchases from the local wholesalers which limited the capacity of the Store to adjust prices in accordance with the active price policy;
- (8) Inferior quality of some of the goods sold has brought disrepute to the Store;
- (9) Poor display of goods inside the Store.

Keeping in view these important factors responsible for low volume of sales, it is suggested to, adopt sales promotion measures, improve the interior display of goods, introduce incentive schemes to the customers, make arrangements for training the employees of the Store, offer incentives to the salesmen, discourage local purchases, open a 'cooperative club' persuade the Government to route the supplies of rationed articles (food grains) through it, procure the agency of books printed and/or published by the Government and appoint supervisory committee.

Purchases :

It has been pointed out earlier that the purchase committee which was constituted in 1965 did not function effectively and, therefore, the purchases in that year were made in accordance with the whims and prejudices of the individual members of the Committee and the Manager of the Store. It is indeed, surprising to learn that even the various Advisory Committees appointed by the Government to run the affairs of the Store have not formulated any purchase policy. No wonder that the purchases have been affected either on the intuitive basis or to satisfy the vested interests of some of the influential persons. As a result, the Store has resorted to not only making heavy local purchases but also in having a wrong assortment. This has resulted in over stocking of some of the spurious goods and understocking of the goods in great demand. The following table shows the position regarding the purchases made by the Store during 1965-66 to 1969-70.

TABLE NO.- 49
PURCHASES AFFECTED BY THE STORE
1965-66 to 1969-70

YEAR	(Rs. in lakhs)			
	Purchases from outside	Local purchases	Total purchases	Local purchases as a percentage to the total purchases
1965-66	N11	10.14	10.14	100
1966-67	10.33	42.40	52.73	80.4
1967-68	1.29	12.07	13.36	90.4
1968-69	2.92	18.3	20.95	86.1
1969-70	1.92	5.45	7.37	73.9

SOURCE : By curtesy of the Office of the Manager, Consumers' Cooperative Wholesale Store, Srinagar.

The table reveals an interesting trend in the volume of purchases rising from Rs.10.14 lakhs in 1965-66 to Rs.52.73 lakhs in 1966-67 and then declining to Rs.13.37 lakhs in 1967-68, again rising to Rs.20.95 lakhs and then falling to the lowest level of Rs.7.37 lakhs in 1969-70. Another feature of the purchases affected by the Store is its local-character for, in 1965-66 all purchases were made from the local businessmen. It is true that over the years the extend of local purchases has gone down to 73.9 percent in 1969-70, but even with this level of local purchases it is erroneous to expect the Store to function efficiently and effectively. It is thus apparent that the Store having the same supplier of goods as that of the retailer, is not in a position to outbid the retailer particularly, when it has to employ large number of persons to shoulder various types of responsibilities, to sell the goods below the market price, operate strictly in accordance with the various Acts, and observe 'ethics of retailing'. The Store, apart from other factors is tempted to make local purchases because of the convenience and the facility of credit. It is, therefore, suggested to establish a State Level Agency to affect purchases on behalf of all the Stores operating in the State, as this can help in eradicating some of the causes which make the Stores to purchase locally. It should also be possible for the Advisory

Committee to forbid the local purchases forthwith. It could not be possible for me to ascertain the extent of overstocking, loss due to breakage, spoilage and pilferage, as the concerned record was not made available so much so, even the audit reports were not made accessible. However, according to the Manager of the Store the value of the over-stocked goods approximately varied from Rs.2.0 lakhs to Rs.2.50 lakhs in 1969-70.

PRICING POLICY :

Store does not have any well-defined price policy, because of the high content of local purchases in the total purchases which restricts its manipulative capacity to adjust prices according to the fundamentals of active price policy. Absence of price policy is also due to the lack of knowledge regarding the techniques and principles of price Fixation. Generally, 2 to 10 percent of margin is being added to the purchase cost in order to determine the cooperative price. But, the basis of calculating the margin for different types of goods remains whimsical and, therefore, such a price determination technique is inconsistent with the efficiency criteria of the operation of stores. The prices at the Store have remained sticky for considerably long period, regardless of the price trends in the market and this has led to an anomalous situation at times,

resulting in a higher cooperative price than the current market price. The failure of the Store to evolve a scientific price policy has led to the incurring of huge losses and inflexibility of its price amidst market price oscillation has detracted the customers and hence low volume of sales.

OPERATIONAL COSTS :

The term operational costs embraces such expenses as are incurred by the Store for its functioning and include the salaries of its employees, interest payments on the borrowings, rent on the hired buildings, taxes, electricity charges, transport costs, insurance, advertisement etc. etc.

It is interesting to learn that the gross profit earned by the Store has been insufficient to meet its operational expenses due to low gross margin on sales. The following table reveals this relationship precisely :

TABLE NO. - 50
SALES, GROSS PROFIT AND OPERATIONAL EXPENSES OF THE STORE
(1965-66 to 1968-69)

(Rs. in lakhs)					
YEAR	Sales	Gross profit	Operational expenses	Loss	Gross Margin (percent)
	**	**	*	**	***
1965-66	9.24	0.08	0.24	0.13	0.87
1966-67	44.60	0.18	2.83	2.10	0.41
1967-68	14.71	0.87	1.30	0.04	5.94
1968-69	22.27	0.41	2.31	2.26	1.79

SOURCE : Appendix - T

** By the courtesy of the Department of
Cooperation Srinagar

*** Compiled by the author

It is obvious from the table-5^o that operational expenses have been much larger than the gross profit earned, signifying that the Store has continuously been incurring losses since 1965-66. It is interesting to observe that during 1966-67 sales were the highest in comparison to any other year, but the gross profit in 1966-67 was only 0.18 lakh whereas, in 1967-68, the sales were only Rs.14.71 lakhs, while the gross profit was Rs.0.97 lakhs. It is also interesting to note that in 1966-67 (year of record sales) the gross margin stood at only 0.41 percent, but in 1967-68, it has increased to 5.94 percent, however, it fell again to 1.79 percent in 1968-69.

Indeed, the study reveals the deplorable state of affairs for, the total loss amounting to Rs.4.53 lakhs incurred by the Store during the four years from 1965-66 to 1968-69 is greater than its share capital of Rs.4.23 lakhs in 1968-69. The picture becomes still more disquieting, if the loss of Rs.2.23 lakhs incurred by the Store in 1969-70 is also added to the total loss.

It is amusing to observe that expenses incurred on the salaries of the staff were more than the gross profit earned in 1965-66 and 1966-67 while in 1967-68, these constituted 63.4 percent of the gross profits but in 1968-69, these were again larger than the gross profits.¹ Infact, the three major

1. Appendix - T

components of the total expenses are the salaries, interest and rent as can be seen from the following table :

TABLE NO. -51

COMPOSITION OF THE OPERATIONAL EXPENSES OF THE STORE

(Figures in percentages)					
YEAR	Salaries	Interest	Rent	Other items	Total
1965-66	45.5	4.1	22.9	27.5	100
1966-67	36.2	17.3	17.5	29.0	100
1967-68	42.7	18.6	13.7	25.0	100
1968-69	32.2	19.3	23.9	34.6	100

SOURCE : Compiled by the author on the basis of the information given in Appendix -

It is apparent from the table- 51 that the salaries, interest and rent constituted 72.5 percent of the total expenses in 1965-66 but their share declined to 71 percent in 1966-67. However, in 1967-68, their share increased to 75 percent which exhibited a decline to 63.6 percent in 1968-69. It is interesting to observe from the table that the shares of interest and rent of the salaries has declined. The Store, in fact, is in a jig-jaw

puzzle for, in order to minimise losses or create surpluses, it must either curtail its operational expenses or increase the gross margin. Owing to heavy local purchases gross margin cannot be increased substantially, therefore, the solution again is to stop completely or cut down drastically the local purchases. Operational expenses on rent cannot be reduced unless the contract is renewed and the Government (owner of the buildings in which the store is located) agrees to the large scale reductions in the rent. The poor financial position of the Store essentially makes it to borrow more, therefore, rate of interest instead of declining is likely to increase. Regarding the cut in the expenses on salary, there is a possibility of affecting a substantial reduction provided other considerations do not blunt this policy. The total employment of various categories in the Store amounted to 45 in 1969-70 and this yielded per employee per day sales amounting to Rs. 63.50 in 1969-70, which is a very low level of sales to justify the present size of employment.

The net effect of all these limiting factors is the low rotation of working capital as is visualised from the following table :

TABLE NO.- 52
ROTATION OF WORKING CAPITAL

YEAR	Sales	Working Capital	(Rs. in lakhs)
			Ratio of working capital to sales
1965-66	9.24	3.39	1: 2.7
1966-67	44.58	15.21	1: 2.9
1967-68	14.71	13.64	1: 1.1
1968-69	22.17	14.00	1: 1.6
1969-70	10.44	11.79	1: 0.9

SOURCE : Table Nos- 46 & 47

It is revealing to observe from the table no.- 52 that the ratio of working capital to sales is not only extremely low but, is also exhibiting a diminishing trend. It has declined from 2.7 in 1965-66 to 0.9 in 1969-70. This observation clearly shows that capital has been tied up in building up either excessive stock or purchasing such commodities which have low demand. It is, therefore, suggested to formulate such an assortment policy which is helpful in achieving the higher rate of turnover. It is also desirable to lay down certain standards of rate of turnover so as to facilitate the assessment of the efficiency of the Store.

CONCLUSION :

It is evident from the above analytical study that owing to the multiplicity of factors consumers' cooperatives are not functioning effectively and efficiently in the State of Jammu and Kashmir. Their viability has considerably been eroded by their small size, small and ineffective membership, low level of sales coupled with high local purchases, defective sales and price policies. On the top of these, other retarding factors such as management, inadequate capital availability and lack of motivation on the part of the management as well as the members are adversely affecting the movement. It has also been noticed that apart from the weaknesses of the movement, severe and effective competition from the private trader is also blocking the emergence of a strong consumers' cooperative movement in the State.

The case study of Srinagar Consumer Cooperative Wholesale Store has revealed that the Store is operating at a very low margin. Its operational expenses have been higher than the Gross Profit earned by it. As a result, the Store has been incurring losses which have accumulated to an amount greater than its share capital. Owing to the lack of scientific management the ratio of working capital to sales is extremely low. Poor managerial efficiency has brought disrepute to the consumer cooperative movement in the State. It is, therefore, felt that the organisational and operational reforms of far-reaching dimensions are urgently required to revitalise the movement. To enhance the viability of the Srinagar cooperative wholesale Store Ltd Srinagar, it is essential that it should be self-sufficient and not sustain itself through government subsidy. The various organisational and operational techniques of consumer cooperatives are studied in the next chapter.

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CHAPTER - VI

ORGANISATIONAL AND OPERATIONAL TECHNIQUES OF CONSUMER COOPERATIVES

In the preceding chapter it was recommended that reforms in the organisational structure and operational techniques were urgently needed to make consumer cooperatives viable and effective in the commodity distribution sector of the State economy. In fact, consumer cooperatives have to justify their existence through efficient business performance and in serving their members as well as others on cooperative principles. The usefulness of consumer cooperatives can be assessed only through their tangible contribution to the welfare of the society. It is in this context that a study of organisational and operational techniques of the consumer cooperatives has been made in this chapter so that they may achieve viability and accelerate the pace of economic and social growth.

1. ORGANISATION OF THE CONSUMER COOPERATIVES :

A well-knit organisation on sound principles is a time-tested dynamic factor in the growth and stability of any undertaking. The

importance of organisation has been emphasized by Andrew Carnegie which is of great relevance to the movement : "Take away all our factories, our trades, our avenues of transportation, our money, but leave me our organisation, and in four years, I will have re-established myself."¹ Sound organisation generates economy and efficiency in operation and functioning and thereby makes the undertaking stagnation-proof and shock-absorber.

The two-tier organisational set up of the consumer cooperatives in the State has denied the economies of scale, enhanced the operational costs, perpetuated inefficiency and has reduced their effectiveness in holding the price line of consumer commodities and in setting healthy traditions and conventions in the commodity distribution sector of the economy. It is, therefore, suggested to set up a Central Organisation in collaboration with the marketing and industrial cooperatives so as to establish a permanent rapport among marketing, industrial^{and} consumer cooperatives as well as to coordinate the functioning of consumer cooperatives in both urban and rural areas.

A study of the organisational aspects of consumer cooperation has been made in the following pages.

A - MEMBERSHIP :

The bye-laws of consumer cooperatives have thrown open the membership to all individuals who have acquired the age of 18 years, irrespective of their caste, religion, sex, political views, provided

1. Quoted by Alford, L.P. in "Principles of Industrial Management"- Revised and Rewritten by R. Russell Beatty- The Ronald Press Company, New York, 1951, p. 130.

they are not of doubtful integrity and have physical disabilities.¹ Besides individuals, the bye-laws also authorise institutions, clubs, semi-governmental bodies to become their members. The freedom of exit has also been granted to the members, provided their withdrawal is not detrimental to the interests of the society. The Jammu and Kashmir Cooperative Societies (Amendment) Ordinance 1970, also empowers the society to debar any such person from membership whose interests conflict or are likely to conflict with its objects.² Incorporation of this clause is justifiable because this will avoid the exploitation of the resources of the societies by vested interests. It will also provide homogeneity to the society with a membership having identical economic interests and hence is a step towards the enhancement of efficiency of cooperatives. At present, a substantial majority of the members belong to the trader's community and well-to-do sections of the society, comprising Government servants and others. The interests of the members drawn from the trading community are at variance with those of the cooperative stores while, the members who are in the service of the State Government are least interested in the working of the stores (located at Srinagar and Jammu) because of their being only the floating members, due to six-monthly Darbar Movements. In case of the Cooperative wholesale store, Udhampur, the membership is confined only to the State Government employees scattered all over the district. The women membership is conspicuously negligible.

1. For details, see J&K Cooperative Societies Act, No. XXVIII of 1960.
2. The Jammu and Kashmir Cooperative Societies (Amendment) Ordinance 1970- Ordinance No. VII of 1970, Section 16, Sub-Section 3.

Therefore, no wonder that the passive behaviour and blunting of sensibility rather than active participation and creative activity dominates the member's attitude towards the functioning of the stores. It is, therefore, suggested to broaden the base of membership by encouraging different sections of the society particularly the women and weaker elements to become the members of the consumer cooperatives so as to cover 20 per cent of the urban population as was suggested in the Centrally sponsored consumer cooperative scheme. It is suggested to give preferential treatment to the members in the distribution of scarce consumer articles in order to secure their loyalty and *patronage*. Further, the dead weight of inactive members should be minimised through the scrutiny of membership cards. It would also be desirable to launch regular membership drives. It is also suggested to set up the 'Cooperative Club' in the premises of the store wherein, the opportunities be provided for reading the material on cooperation and exchange of ideas through discussions, debates, seminars, lectures, etc. It is only through the cooperative education that an enlightened, dedicated and selfless membership base can be created and such a foundation alone can provide strength and recipe to the consumer cooperatives.

B- SHARE CAPITAL:

The share capital contribution is raised from the members viz., the Government, institutions and individuals but as has already been observed in Chapter V, the Government makes a substantial share capital contribution ranging between 85 to 90% whereas, contributions

from institutions and individuals members constitute only 10 to 15 per cent of the total share capital. This share capital structure does not augur well for the emergence and development of independent consumer cooperative movement and, therefore, strenuous attempts must be made to raise more share capital from the members comprising institutions and individuals.

C- WORKING CAPITAL:

The working capital of the consumer cooperatives is consisted of share capital, reserve funds, borrowings and deposits etc. The discussion in Chapter V has revealed that not only the average working capital per store is small but also a substantial proportion of their working capital is constituted of borrowings from the Government and the Jammu and Kashmir State Cooperative Bank. Inadequacy of working capital, on many occasions has reduced the effectiveness of the stores due to the curtailment of bulk purchases. It has also blunted the endeavours to expand business activity effectively along more diversified merchandise. Sometimes, a high percentage of the capital gets blocked in obtaining supplies of rationed items resulting in the inadequacy of finance for operating other business of the store. Capital of the stores has also got blocked up invariably on account of the delayed payments by the Government for goods procured from them and thus is still more inadequate.

Inadequacy of the working capital has hampered the business and reduced the creation of

have not succeeded in building up even the minimum reserves to meet financial exigencies. Moreover, the limited reserves created by the stores have been ploughed back into the business, consequently diversification of investment has not been affected and as a result the shock-absorbing capacity of the stores, is almost negligible.

The low volume of share capital and the reserves coupled with the incapacity of the stores to enhance owned capital has compelled them to indulge in heavy borrowing to meet the financial requirements of the expanding business. But, the low share capital base, limited liability of the members and small business have conspired together in determining the low credit limits of the stores. While small business of the stores has denied them substantial accommodation by the banks under the Guarantee Scheme, the low credit limits along with other difficulties have inevitably led the stores to borrow only from the Government and the J&K State Cooperative bank. In short, the consumer cooperatives have failed to receive financial accommodation from other financial agencies. Since the advances in the State are being made by the scheduled commercial banks largely to finance the commercial activity, adequate measures relating to lending policies and procedure, therefore, should be devised to channelise the assistance of these banks to finance the consumer cooperatives. Heavy dependence of the consumer cooperatives on borrowing coupled with high cost of borrowing and low rotations of the working capital, have resulted in high operational costs which in turn has substantially reduced their

viability. It is, therefore, suggested that the consumer cooperatives should strive for the enhancement of their owned funds and in order to support this effort, the Government should adopt a system of advancing interest free loans to its employees, as has been introduced in Andhra Pradesh and Madras, for maintaining trade deposits in consumer stores. With the view to encourage wholesale stores to raise deposits the Government should subsidise the rate of interest offered by the stores on such deposits, over the maximum lending rates of the scheduled banks operating in the State. It is also suggested to adopt the system of financial planning with the view;

- (a) to assess the financial requirements of the consumer cooperatives by taking into consideration the structure of demand and also the rate of change in demand for finances over the short and long periods;
- (b) to formulate the prudent and farsighted programme for the allocation of limited financial resources; and
- (c) to explore and devise measures for procuring stable and cheap money.

D- MANAGEMENT AND ADMINISTRATION:

One of the most important distinctive principles of cooperative business from other business enterprises is that it is an organisation of persons and not of persons' means. This principle on the one hand, accords democratic management on the provision of 'One member, one vote', and on the other hand, makes the General Body of

the members as the highest authority of the cooperative society. It is this democratic management and the supreme authority of the General Body which make consumer cooperatives as the mass movement of consumers by the consumers and for the consumers. The Jammu and Kashmir Cooperative Societies Act No. XXVIII of 1960 and the bye-laws of all the consumer cooperative societies provide for the election of Board of Directors by the General Body. The composition of the Board of Management/Directors with fifteen representatives as detailed in the bye-laws of Srinagar Cooperative wholesale stores Ltd., has been designed to give due representation to the various parties having interest in the functioning of the Store.

The bye-laws of other district consumer cooperative wholesale stores provide for the different size and composition of the Board of Management/Directors with uniformity of representation accorded to the central cooperative bank and the Government with one and three representatives respectively. There is no separate provision in the bye-laws of any of the District consumer cooperative wholesale stores for either the election or cooption of women members in the Board of Management, as suggested under the centrally sponsored consumer cooperative scheme.¹ It is interesting to note that a paid employee of the Srinagar Cooperative wholesale store or of the Member Society, according to the bye-laws of the store, is not eligible for election as a member of its Board of Management, in spite

1. Letter No. 8-43/63-cc, dated 1.2.1964, Government of India, Ministry of CD and C (Department of Cooperation).

of the fact that they are entitled to purchase 5000 "D" class shares of the store which incidentally is the largest number of shares allotted under any other category of shares. According to the byelaws a member shall cease to hold the office if he becomes a relative of a paid employee of the Store. It is heartening to note that through an Amendment Ordinance 1970, the Jammu and Kashmir Cooperative Societies Act provide for the reservation of two seats to the scheduled castes and/or other backward classes on the Board of Management.¹ The bye-laws in order to defeat the motives of vested interests restrict the retail sellers of consumer articles to become the members of the Board of Management. Such a restriction should have also been imposed on wholesalers who are more powerful and effective in determining and distorting the business policies of the Store. It is, indeed, painful to record that this restriction has more been honoured in breach than in practice.

The tenure of the Board of Management/Directors varies from one to three years according to the bye-laws of the different consumer cooperative wholesale stores. The philosophy behind fixation of the tenure of the Board of Management is to blunt the emergence of monopoly powers in the hands of a few influential and powerful individuals. But it has been possible for the influential persons to get elected time and again ^{and} hold the office for a long time for personal gratification and aggrandisement. The recent amendment of the cooperative Act of Jammu and Kashmir debars a person from occupying an office continuously for more than three years and consecutively of more than two

⑤ 1. The J&K Cooperative Societies (Amendment Ordinance 1970, Ordinance No. VII of 1970. Amendment of Section 28 Act XXVIII of 1960.

different types of societies.¹ Such an amendment can help in curbing the movement from becoming the preserve of a few individuals and also can lead to the emergence of a new and dynamic leadership of the cooperative societies.

Apart from these considerations, there are three more aspects of democratic management which need to be illucidated in order to minimise the misconceptions:

1. It is held that democratic management based on the principle of "one man, one vote" is consistent with only the small sized society and, therefore, if cooperative democracy is to be preserved the size of the cooperative business essentially has to be small, but if, efficiency of the business is to be enhanced, the size of enterprise has got to be enlarged and in the process cooperative democracy might have to be sacrific^ed. It is true that direct cooperative democracy as was envisaged by the Rochdale Pioneers is incompatible with large sized enterprise and therefore, cooperators must learn the techniques of parliamentary democracy in order to affect a balance between efficiency and cooperative democracy.

2. It is also considered that the practice of nomination of the representatives on the Board of Management by the Government and in some cases, even the nomination of the entire Board of Management, axes the cooperative democracy. The genuine concern of the Government

1. Ibid, Sections 25-A and 25-B.

to accelerate the efficiency of the consumer cooperatives through increased participation in the management of the societies is understandable. But, the problems emerge when the Government in exercise of its powers, glorifies particular political interests and/or dampens the initiative and enthusiasm of the cooperators and thus, threatens the ideal of cooperative autonomy. It is, therefore, desired that the Government should exercise its powers with restraint, so as to make cooperators, act more responsibly and enthusiastically. Simultaneously, the cooperators must also endeavour to enhance the effectiveness of the cooperatives, in order to free the enterprises from the dependence on the Government for guidance and finances. The bitter truth is that most of the cooperative societies have sprung up on account of the initiative of the Government and owe their existence to its liberal patronisation. Therefore, no wonder that the Government control over the societies is strengthening day by day and the recent amendment of Jammu and Kashmir cooperative Societies Act¹ requiring the Deputy Commissioner or his nominee to conduct the elections of the members of the Board of Management; reflects the seriousness on the part of the Government to improve the functioning of the societies without assigning sanctity to any of the cooperative principles. The concern of the cooperators on such developments is understandable, but they should also learn to work ceaselessly and selflessly for the emergence of a stronger cooperative movement, as their strength alone can make the Government to desist from eroding the autonomy of cooperatives.

1. Ibid, Section 16-A(1)

3. Another serious danger to the cooperative democracy is from the apathy and indifferent attitude of the members towards democratic privileges and obligations. The provisions in the bye-laws regarding the principle of democracy can give only the form and structure of democratic management but not the democratic functioning of the consumer cooperatives. The "sleeping" and "absentee" members are the greatest threat to the cooperative democracy as, such situations always have the potentialities of leading towards obligarchic managements. It is only an enlightened membership that can ensure the democratic functioning of the consumer cooperatives. It is, therefore, urgently required to evolve measures to secure active consumer participation in the ownership, management and business of the cooperative. It is an awakened membership alone, that can ensure the election of a committee member having imagination paired with sound business judgement, sufficient insight in the techniques of management and well-founded conviction of the philosophy of cooperation. Many a times, consumer cooperatives have made the ship-wreck on the altar of inefficient managements. No wonder that the managing committees of the two biggest consumer cooperative whole sale stores of the State located at Srinagar and Jammu, have been superseded many a times and even today, these two stores not being managed by the managing committees duly elected by their own members.

The bye-laws of all the consumer cooperatives assign the responsibility of proper and efficient management of the stores to the democratically elected Board of Management/Directors. The bye-laws

also make the Board of Management responsible for any loss sustained through acts contrary to the law, the notified rules and the bye-laws. The Board of Management, is to exercise only such powers and duties which have been delegated to it by the General Body and in turn, is also answerable for all its acts of omission and commission to the General Body. It is desired that the General Body should delegate all such powers to the Board of Management which accord adequate independence in decision-making, otherwise inefficiency and red-tapism "the legacy of democratic management" is sure to creep in the working of the consumer cooperatives. Secrecy, being the essence of efficient business management, the delegation of powers to the Board of Management should ensure that the secrets of the business are not made public through discussions in the General Body meetings otherwise, the efficiency of enterprise is sure to be impaired. Simultaneously a proper check on the Board of Management is also essential to restrain it from taking reckless and pernicious decisions. Keeping in view the volume and nature of the business of the consumer cooperatives, the bye-laws also authorise the Board of Management to constitute an Executive Committee to conduct the day to day affairs of the store. The membership of the Executive Committee is not to be more than five and is to include the President and one representative of the Government. The bye-laws also provide for the establishment of a Purchase Committee with General Manager as its Secretary. The

Purchase Committee is to study the relevant aspects of the market structure on the basis of which it is to lay down the broad purchase policy which is required to be implemented by the General Manager. Depending upon the size of the business, the General Manager depends upon his assistants in different branches of the management activity for securing efficient operations.

Thus, the democratic management of the consumer cooperatives has to be carried out through rule by committee and the management by delegation and, therefore, it is in the judicious delegation of power to the different committees, functional sub-committees, the General Manager and his assistants that the operational efficiency of the consumer cooperatives lies hidden. The spheres of operation of the Board of Management and the Manager should be very clearly demarcated in order to minimise the confusion, avoid the misunderstanding and accelerate the operational efficiency of the enterprise. It is desired that the Board of Management should confine its operations to the laying down of the objectives and setting the broad policies of the store. The General Manager should ipso-facto be entrusted with all the responsibilities of practical business. Indeed, the delegation of powers to the General Manager accompanied with matching arrangement of controls, is to be so adjusted as to realise the effective utilisation of the available human resources which, in turn, ensures efficient utilisation of money, material and time. The basic task of the

administration, therefore, is to adopt a system of manpower planning for, this alone ensures the availability of men, in terms of quality and quantity as and when they are required over a period of time. Manager is the critical actor in the cooperative business and the success of the organisation depends largely upon his business acumen, the grit and the drive. The prime duty of the Board of Management, therefore, is to select a person with capability and willingness to shoulder managerial responsibilities of cooperative business. At present the managers of the five District consumer cooperative wholesale stores are the deputed officers of the Cooperative Department and it has not been possible for the consumer cooperatives to create their own cadre of managerial staff ever since their establishment. It is difficult to believe that these officers of the cooperative Department who are managing the affairs at present, shall permanently be absorbed in the employment of these whole-sale stores. It is, therefore, suggested to recruit suitable persons and to impart them adequate training as prospective managers with the view to fill the vacuum likely to be created in the event of the withdrawal of the present Managers by the Cooperative Department.

The replacement of the present managers of the wholesale stores by the properly trained and experienced personnel is likely to increase the operational efficiency of the consumer cooperatives as "the productivity of the employees working under 'Administrative Culture' that flows from the Chief Executive if he is on deputation from a Government Department is nearly half or even less, than that

of those who work under 'Commercial Culture' that flows from the Chief Executive if he has grown up in a business environment".¹ It is also suggested to create conditions for the restoration of the democratic management of the stores by encouraging the dedicated and enlightened persons to become the members of the consumer cooperatives.

B- OPERATIONAL TECHNIQUES:

It is recognised that a consumer cooperative under sound leadership alone can deliver tangible economic benefits to the members and from such a society emanates also the social benefits such as new ideas of better living, new consciousness of citizenship revolt against extravagance, waste and inefficiency etc. In fact a consumer cooperative incurring losses pollutes the society with strife and distrust and is a social nuisance in the community. It is, therefore, obvious that an enlightened management must strive hard to accelerate the efficiency of the cooperative business through the introduction of the various techniques such as:

1. Budgeting
2. Purchasing
3. Selling

1. Budgeting:

An absolute pre-requisite for efficient and successful functioning of the consumer cooperatives is the extension of the technique of budgeting to its business operations. The formulation

1. Taimini, KK, "Some Aspects of Personnel Management in Super Bazaars" Cooperative Information Bulletin, Vaikuntha Mehta National Institute of Cooperative Management, 1969, Vol.IV, No.3, p.26.

of the operational plans shall not only give the purposeful direction to the working of consumer cooperatives consistent with the broad programme and policy laid down by the management but, it shall also enhance its operational efficiency and thereby, making the impact felt in its area of operation. The technique of budgeting embraces the preparation of rational programme for the various branches of its activity and the coordination of the programmes so devised, with the view to realise the set goals in a stipulated period. The consumer cooperatives operating in different areas aim at capturing that level of retail trade which can make them effective not only in controlling the price line but also in establishing the healthy conventions in retail trade. Thus, the consumer cooperatives must devise a phased programme to capture the required volume of the retail trade. The formulation of such a programme essentially entails the considerations of the present and future volume of retail trade determined on the basis of the trends in size and composition of population; level of income, its distribution and structure; nature of the predominant economic activity; social structure and social mobility; socio-psychological prepossessions of the people and the volume and structure of consumption expenditure. Once the phased sales programme is devised, the technique of budgeting would necessitate to work out in detail the requirements of finance quality and quantity of personnel, a relationship between fixed and

variable costs and other considerations/consonance with the realisation of the sales programme. Since the technique of budgeting alone helps in controlling the operational expenses as tightly as possible, therefore, its extension to the working of consumer cooperatives who are operating on overall low margins is of prime necessity for their very survival.

- It is disappointing to note that the consumer cooperatives in the State have not adopted the technique of budgeting to rationalise their operations. The budgetary estimates made by some of the consumer cooperatives are not based on the rational considerations of the factors mentioned above and, therefore, are not only irrelevant but misleading as well. It is suggested that each of the consumer cooperative should be required to prepare their annual budgets on the basis of local social and economic factors influencing the level and structure of demand for consumer goods.

2. Purchasing:

Purchasing of goods is the most important technical function usually performed by the manager or a special department in accordance with the policy laid down by the Purchase Committee and/or Board of Management. Scientific purchase policy embraces the purchase of right quality of assortment in the right quantity at the right price from the right source at the right time.

Interpretation of what is "right" depends upon:

- (a) the number of customers, their purchasing power, occupation, social stratification and consumption habits;
- (b) the type, number and sales policy of competitors;
- (c) the sales policy of the cooperative;
- (d) the size and location of the cooperative; and
- (e) the social and economic objectives of the management.

Precisely, the purchasing of goods should conform to the following objectives:

- (a) to ensure the continuity of supply;
- (b) to procure at the lowest cost from the right source; and
- (d) to make minimum investment in inventories.

However, it should be borne in mind that operational difficulties may nullify the well-planned purchase policy, therefore, such a policy should be flexible enough to accommodate the assortment variations in time, place and demand. The realistic purchase policy should evidently be dynamic to account for the new habits, new goods and the changing social-economic environments in order to avoid wrong assortment which leads to low sales, slow turnover of stock, high costs, low net surplus, disgruntled clientele, disappointed employees and hence ruin of the consumer cooperative.

A well-knit consumer cooperative organisation apart from enjoying the benefits of an effectively designed purchase policy also derives the advantages of bulk buying through pooling of demand

originating in each of the constituent unit, at the State and/or National level. Each tier of consumer cooperative structure not only should sanctify its relationship with the other constituents of the cooperative structure, but should also give adequate attention to economic ordering which "takes note of trends in demand, their carrying costs, shrinkage and spoilage, obsolescence, availability of storage etc. ordering level, desired stock level, making provision for Lead Time, etc.¹"

Another important factor influencing the efficiency of Purchasing is the source of affecting the purchases for, it has a direct bearing on the cost of purchases and net surplus thereof. The major sources for the procurement of goods today are:

- (a) Private manufactures and stockists
- (b) Government Civil Supplies Department
- (c) State and National Federations of Consumer Cooperatives
- (d) Marketing societies and processing societies
- (e) Wholesale private traders.

However, it has been observed that the private manufactures and stockists have very often flouted through different techniques, the agreements they have arrived at with the Commissioner, Civil Supplies, in the Ministry of Commerce, Government of India and the Textile Commissioner, for an orderly supply of goods at concessional

1. Kanat, Dr. G.S. "Purchase Policies, Organisation and Procedures for consumer cooperatives"- Report on the Seminar for the Chairman of Wholesale and Department Stores and State Federations, 1969- A background Paper.

and/or preferential terms to the consumer cooperatives. With the view to minimise the cost of purchases, Government of India has formulated a scheme for the establishment of consumer goods industries, but the consumer cooperatives have not succeeded significantly in taking advantage of this scheme. Consumer cooperatives have also not made effective links with cooperative marketing and processing societies and this is detrimental not only to efficient functioning of both these organisations but it also blunts the development of the cooperative movement to realise the cherished ideal of Cooperative Commonwealth. Government Civil Supplies Department provides only the controlled goods by allotment to consumer cooperatives but, in the State of Jammu and Kashmir, Government continues to supply rationed articles mainly food grains through its own supply depots in utter disregard of centrally sponsored consumer cooperative scheme which envisaged consumer cooperatives to function as the retail outlets of controlled and rationed articles. The cooperative processing units in State are in infancy and since they cannot cater to the requirements of consumer cooperatives, therefore, no rapport has been established with them. The cooperative marketing societies since mainly are engaged in the distribution of agricultural requisites and consumer goods in the rural areas rather than the mobilisation of agricultural surplus, therefore, are not in a position to supply the agricultural goods required by the consumer cooperatives. In the absence of State Federation of consumer

cooperatives, the consumer cooperative wholesale stores essentially have to establish the links of their own with the National Cooperative Consumers Federation Limited and the private manufacturers and stockists at a high cost. Amidst these conditions, consumer cooperative wholesale stores have been prompted to make purchases from local wholesale traders and thus sacrificing the benefits of the wholesale trade on the basis of which they were expected to outcomplete the retailers. The extent of local purchases varied from about 15 per cent of the total purchases in case of cooperative wholesale store, Jammu, to about 74 per cent with respect to cooperative wholesale store, Srinagar, during 1969-70 and this accounts for the better performance of the former and the losses incurred by the later.¹ Owing to the unsatisfactory performance of the whole-sale stores and the attractions of buying from the local market, the primary consumer cooperative stores have almost severed their relations with the wholesale stores to the disadvantage of both. It is also disappointing to learn that the consumer cooperatives have not formulated any purchase policy but are merely depending upon the intuitive judgement of the managers and others concerned to affect the purchases. This approach towards purchasing has often led to the buying of wrong articles resulting in overstocking and consequently, unnecessary blockade of capital,

1. By courtesy of the Managers of the Stores of Srinagar & Jammu.

non-productive utilisation of space, increase in pilferage, breakage and obsolescence. Such a situation has arisen due to lack of the interest, initiative and business acumen on the part of the management personnel and absence of market research to help the preparation of purchase budget. The consumer cooperatives in the State have also been shy of undertaking any processing activity harring Islamabad District consumer cooperative wholesale store which has set up a small plant to grind the spices and thus has ensured the purity of spices at a price lower than the market. On the basis of these observations, it is suggested:

- (a) to streamline the purchase policy by taking into consideration the level and variations in the demand for staple, supplementary and impulsive goods;
- (b) to devise ways to make primary consumer cooperative stores to affect their purchases from the consumer cooperative wholesale stores. The cooperative discipline, since has failed to win their loyalty, it may, therefore, be desirable to establish a contractual relationship between the wholesale and retail cooperatives.
- (c) to explore the possibilities of establishing the processing units such as oil crushing, spices powdering, fruit preservation, Dal milling, etc.
- (d) to persuade Government for adopting consumer cooperatives as its retail outlets for the distribution of rationed articles including foodgrains.

- (e) to set up a State-level institution to make purchases on behalf of the consumer cooperatives operating in the State.

Pending the establishment of such an institution, the whole-sale store, Jammu, should be entrusted with this responsibility for, it is near the rail head and also functioning relatively efficiently than the other whole-sale stores in the State. Such an arrangement shall not only ensure the advantages of bulk buying but shall also weaken the temptation of buying from the local market.

- (f) to concentrate the trading activity only in selected commodities having a wide and deep demand which may provide a solid foundation to expand business in the future.

3. Selling:

Selling is a fundamental activity of consumer cooperatives and entails the efficient utilisation of its resources- men and material in order to achieve maximum sales and services to its clientele so as to realise concrete economic results. Selling activity also assumes importance because through its technique and volume, consumer cooperatives disseminate their cooperative philosophy. Consonance with its objectives of equitable distribution of goods at fair price the gross margin in the sale of goods is sufficiently low, therefore, consumer cooperatives essentially have to devise measures on the one hand to increase the volume of sales and on the other to minimise its operational costs so as to

create surpluses and strengthen its economic foundation.

Consumer cooperatives have to endeavour to realise a sizeable volume of sales in order to capture a definite share of the market to become effective pace setter in the distributive sector of the economy. An enlightened management trying ceaselessly to achieve optimum sales has to formulate a realistic sales plan by taking into consideration the location, size and layout of the store, the attitude and behaviour of the sales personnel, the nature of the market, assortment price and quality and the, rationalisation of its sales promotion and public relations activities to achieve the targetted sales through the following techniques:

I. SALES PLANNING:

Sales planning is an effective weapon in the hands of the management to realise efficient utilisation of society's total resources through the coordination of the functioning of multiple factors affecting the sales volume. The foremost pre-requisite for the success of sales plan is to lay down the realistic sales targets capable of achievement. These sales estimates must reflect the optimism and dynamism of the store in order to stimulate the manager and his sales staff to contribute their best in realising the targets. Sales planning is also an exercise in ensuring the correct commodities to customers at the suitable time and place and this necessitates the consideration of seasonal and regional variations in demand for different types of merchandise with the view to devise sales promotion techniques consistent with the time,

region and the commodities demanded. Another benefit of sales planning is in the minimisation of costs and wastes of business operations of the store through the maintenance of stocks and purchases in proportion to the sales and thus avoiding over - as well as under-stocking of commodities which have deleterious influences on the working efficiency of the organisation. Sales Planning also provides an opportunity to make comparison of actual sales performance with the targeted sales and, therefore, helps in detecting the deterrant factors which, otherwise remain unnoticed and perpetuate inefficiency and losses.

The consumer cooperatives in the State have not adopted the technique of sales planning and the annual sales targets laid down by them, are determined most injudiciously and therefore, have no relevance with the operations of the stores. This partly explains the occurrence of low sales volume which in turn has resulted in over staffing, over and/or under stocking and inefficient operation of the stores. Consequently, each of the consumer cooperative store is desired to lay down the realistic annual sales target detailed on monthly basis. The introduction of sales planning shall also transform the attitude of consumer cooperatives from distribution of goods to selling of goods and is, therefore, sure to dynamise and uplift the movement from present slumber.

II - SALES POLICY :

The secret of the success of a consumer cooperative lies in evolving a well defined sales policy based on the business objectives of the organisation. The rationality of the decisions with respect to the different ingredients of the sales policy shall be determined not only by the sales volume and extent of the surpluses created in the store but also by the extent to which competition from the private trader has been rendered ineffective. The private trader who possesses an intimate knowledge of his clientele and their wishes and is 'his own boss', due to greater flexibility in operations, offers a very serious challenge to the consumer cooperatives, and if, consumer cooperative in turn, does not succeed in formulating an effective sales policy, sooner or later, it has to wind up its operations. It is, therefore, obvious that the details of the sales policy have to be drawn judiciously along the following approach:

A - CLIENTELE :

Many cooperators feel that the members alone are entitled to purchase articles from the consumer cooperatives for, they have established the society to get the services and to improve their personal economy. There is substantial truth in this exhortation and in deference to this opinion, members are very often given the preferential treatment, at least, in the sale of scarce goods. However, an attitude of "exclusiveness" of the society has dangerous

potentialities of stunting the development of the society by limiting its sales volume to only the members' purchases. Since, this attitude also is against the philosophy of cooperative, therefore, operations of the society must be extended to non-members as well.

B - ASSORTMENT :

The determination of breadth and depth of assortment is the most tedious assignment of the manager and his staff because it is extremely difficult to have an assortment which gives maximum sales and, at the same time, avoid the risk of over stocking. There are also wide variations in the opinions of cooperators regarding the assortment policy: some feel that the consumers' stores have been set up to supply the scarce commodities only; others assert that controlled goods should be supplied by the Government and the stores should concentrate only on the business in non-controlled goods because of the convenience of their procurement and high margin; while some others suggest that the consumer cooperatives should combine their business in both controlled and non-controlled goods and finally some cooperators are of the opinion that the consumer cooperatives should sell only the luxury' and 'new' goods to the medium - and high- income groups, on the plea that this will yield high margin and also enhance the reputation of the society.

Consumer cooperatives since, are service rendering institutions, therefore, their assortment has to be fairly wide and deep depending upon the requirements of the different categories of consumers. But the service character of the society does not debar it from creating surpluses, at least, to the extent required to accord financial strength to the organisation, therefore, assortment should have a rational blending of low and high-margin goods. In fact, there should be no rigidity in the assortment policy and the manager should be permitted to determine the assortment on the basis of the competitors' practices, market intelligence etc.

C - CASH AND CREDIT SALES :

The time-tested business practice is to sell goods against cash only because, it not only protects the society from risks in selling and saves the additional costs but also tends to encourage thrift among the members. However, the consumer cooperatives are under pressure from members to sell goods on credit either because of their expanding needs or due to the extension of similar facility by the competitors. But, the society should always bear in mind that credit sales:

- (a) enhance the risk of the society due to the possibility of accumulating bad debts;

- (b) increase operating costs owing to necessity of employing additional staff to manage the credit transactions, increased spending on additional stationery and postage and additional interest payments on the capital employed to finance credit sales;
- (c) reduce the liquidity of the society as the finance used in credit sales remains tied up;
- (d) render injustice to the poorest category of members who cannot buy on credit due to their low credit -worthiness, but have to share in the cost incurred by credit to the worthy members;
- (e) inculcate extravagance and cause indebtedness as the members start living beyond their means;
- (f) lead to a well founded demand for discount on cash sales because the members purchasing goods against cash are in fact, subsidising those who are availing the credit facilities and thus, it threatens to impair the price and capital formation policies of the consumer cooperative.

Under these circumstances, the society should resist the pressure of members for credit sales. In case of institutional societies (stores) it is possible to follow the policy of credit sales provided the head of the institution gives his consent to deduct the amount at source and pass it over to the society.

The society, is suggested not to undertake the credit sales without adequate and effective conditions such as :

- (a) limiting the total credit sales to a specified proportion of share capital and for a very short period;
- (b) denying the credit sales in the event of non-clearance of arrears and enforcing the members to settle the bills on pay days;
- (c) forbidding the instalment credit.

The society is desired to extend hire-purchase facilities to only its members so as to enable them to acquire durable consumer goods.

D - COUNTER SERVICE AND SELF-SERVICE :

It is widely believed that self-service shops offer a great opportunity to the customers to effect purchases independently and comfortably, thereby, ensuring judicious spending of the limited resources at their disposal. It is also recognised that self-service accords quicker service to customers which, in turn, results in higher turnover per employee and per square foot of floor space than in counter service. Self-service method of selling since, dispenses with the need to employ salesmen, therefore, this system particularly, is of great economic importance to those countries where labour scarcity is more pronounced as, it provides an opportunity to divert

scarce labour to more productive economic activities which in turn results in increasing the social productivity of labour. In contrast to these advantages, self-service mode of selling increases the danger of pilferage by customers, makes the ignorant consumer bewildered amidst abundance of goods in the store and thus, exposing him to the dangers of affecting irrational purchases. Also, self-service requires higher initial investments, a certain minimum size of shop and prepackaged goods in different weights and, therefore, appears to be unsuitable method of selling in the developing countries where capital is scarce, standards of honesty are low and consumer's ignorance is more pronounced. As against this, counter service provides an opportunity to the store to have an intimate knowledge about the spending habits and styles of his clientele and also to help and guide the consumer on the spot in making judicious purchases. Above all, counter service is humane where as the self-service is mechanic and, therefore, the former is helpful in the dissemination of cooperative message.

II - PRICE POLICY :

Price, as a measure of consumer's sacrifice to acquire certain goods and services is the single most important motivating factor which makes him to discriminate among the sellers and also the goods sold by them. Therefore, the level of cooperative

retail price is the major determinant of the number of customers visiting the store and the sales volume thereof. Since, consumer cooperative is a collective economy enterprise with egalitarian philosophy, therefore, its price policy has to combine several objectives such as :

- (a) Acceptability: the cooperative price should not only be competitive but also acceptable to the consumer;
- (b) Adequacy : the price should ensure sufficient revenue to cover expenses and earn-stipulated surplus;
- (c) Stability: the cooperative price should accord reasonable stability to the prices by avoiding frequent fluctuations.

Keeping in view these objectives of the price policy, the level of the sales price at the consumer cooperative is influenced by the following factors :-

- (i) purchase price (less discounts);
- (ii) direct purchase costs (e.g. transport, insurance and taxes);
- (iii) overhead expenses (e.g. rent, management costs etc.) ;
- (iv) the quality, nature and risks in handling the commodities ;
- (v) nature and extent of competition from the private traders ;
- (vi) the rate of stock-sales turnover; and
- (vii) the amount of surplus to be created.

It should be noted that the over head expenses cannot be calculated separately for each commodity and the same difficulty is in regard to the transport and insurance costs if they are

incurred on the business as a whole. Under these circumstances, such expenses are included as a general percentage added to the purchase price/cost. The margin is calculated by putting the overhead expenses in relation to the turnover of the same period expressed either at purchase (mark up] or at sales price (gross profit). However, it is erroneous to apply uniform margin to the whole assortment because the overhead expenses incurred vary among the different commodities depending upon:

- (a) the care with which the commodities are to be handled;
- (b) the rate of turnover which in turn determines the storage time for each commodity;
- (c) the risk of loss as determined by the perishability of commodities.

These considerations reflect the varying purchase cost structure of commodities and, therefore, it is suggested to employ the system of differentiated margins on the basis of "what the traffic can bear".

It may also be desirable to imitate some of the price fixation techniques of the private manufacturers and dealers for instance, the technique of fixing the sales price below the full rupee that is, Rs.20.95 instead of Rs.21.00 as is practised by Bata Shoe Company, because it creates an impression of cheapness of article in the mind of a consumer and is helpful in attracting more customers and thus pushing the sales up.

Sometimes, the consumer cooperatives have also to adopt "Loss Leaders Pricing Policy" in which case the articles are sold below the calculated selling price, in order to :-

- (a) Clear the obsolete stock caused by costly or wrong purchases;
- (b) attract customers, and
- (c) introduce new goods.

An additional advantage of "Loss Leaders Pricing Policy" is in its being an effective medium of advertisement which helps in enhancing the sales on the presumption that the customers looking for loss leaders will also buy high margin articles. However, there is a danger of the entire stock of loss leaders*, being purchased by the traders and defeat the objective, therefore, a restriction should be imposed on the quantity of "loss leaders" to be sold to each customer.

Another important consideration in the formulation of affective price policy is in regard to the general level of cooperative price and in this context, the consumer cooperative can pursue either a passive or an active price policy.

The supporters of passive price policy contend that selling of goods at market price affords an opportunity to the society to build its own finances and thus acquire the built-in-stability. They also argue that such a price policy alone is consistent with the celebrated Rochdale Principle of patronage dividend.

However, passive price policy has been rendered inoperative because of the widespread growth of monopoly price fixing and the need to curb the inflationary tendencies.

In contrast to this, active price policy is " a policy which instead of giving the purchaser the whole of the direct economic advantage arising from the cooperative form of organisation in the shape of dividend on purchase, aims at reducing the rate of dividend in order to permit the sale of goods as cheaply as possible and thus give the purchaser a part of the economic advantage at the time he makes his purchase rather than making him wait to receive it in a lump sum at the end of the accounting period.¹ "

The active price policy is also calculated to have the following results:-

- (a) To sharpen the impact of cooperative action on the private trade;
- (b) Force rationalisation within the areas of competition entered by the cooperative;
- (c) Demonstrate the movements' ability to perform an invaluable public service and thereby gain increased sympathy and support from all sections of the community.

However, it may not possible to pursue the active price policy if :

1. Anon. J.W. 'The Price and Dividend Policy of the Swedish Cooperative Movement'-Annals of Collective Economy. 1955, Vol. XXVI, No. 2 pp. 208-13.

- (a) the manufactures have already laid down the minimum prices for the commodities and the consumer cooperatives are under contractual obligation not to sell the commodities at prices lower than the prescribed minimum;
- (b) the Government has fixed the prices of commodities.

It is thus, apparent that active price policy as an anti-monopoly and anti-inflationary weapon out-scores the passive price policy. It is also clear that active price policy seeks to minimise the disadvantages of the principle of sharing the dividend on the basis of the volume of purchases made by each customer.

The study made by the author reveals that the various elements of rational price policy are not taken into consideration in determining the prices of different commodities. The stores, excepting the prices of a few commodities have not succeeded in holding the price line due to heavy local purchases and injudicious price policies. It is, therefore, suggested that consumer cooperatives should devise a well spelt-out price policy for, this alone can help their survival in the State.

III- LOCATION AND LAYOUT OF THE STORE :

The decision regarding the location of store is one of those crucial decisions, on which hinges the very fate of the consumer cooperative for, such a decision affects the present and future

performance of the society. The exact location of the store plays a decisive role in ultimately determining as well as ensuring its viability in a competitive setting. Rational choice regarding location of cooperative store essentially entails the consideration of the following issues :-

- (a) Competition - Theory of monopolistic competition suggests that the competing shops should be established in each other's vicinity in order to encroach upon each other's area of influence. Therefore, the setting up of the cooperative store near the competing retailers' establishment shall enhance its efficiency and effectiveness as, it provides an opportunity to the customer to compare the assortment and prices at two different types of establishments;
- (b) Accessibility - The shop should conveniently be accessible to the customers and sellers as, it has a great bearing on the transport costs which, if, are high, repel the customers;
- (c) Neighbourhood and reputation of the site- The store should never be located in the ill-reputed localities as well as buildings for, it adversely, affects the good-will of the store;
- (d) Prominence - The store should be located at a place which is most frequently visited by the people so that it may catch the attention of large number of the potential customers.

However, in practice, it may not be possible to combine these issues in the selection of a site for the store, either because of the scarcity of buildings in ideal locality or because of the high rents of the available buildings. In the State, out of the five wholesale stores at Srinagar, Baramulla, Anantnag, Jammu and Udhampur only one at Baramulla has its own buildings while other four stores have been housed in the rented buildings. All these five wholesale stores are located in the busy commercial centres but, the approach to the two wholesale stores viz: at Anantnag and Udhampur is depressant to the customers.

Another associated issue with the location, is the size of store which has a great bearing on its operational efficiency. With the view to determine suitable size of the store the management should take into consideration the present position and expected development in the nature and extent of competition; the strength of clientele that is, their number, incomes, buying habits and consumption pattern. It would be desirable to set up a medium sized store in the beginning and then to develop it steadily and judiciously rather than embarking upon an ambitious programme by establishing large sized store and consequently suffer losses. It is my feeling that the inefficient functioning of consumer cooperative wholesale store Srinagar emanates from its large and hence unmanageable size.

Store lay out is still another factor having an influence on the efficiency and effectiveness of the consumer cooperatives. "Layout refers to the appearance of the shop front, the location and dimensions of show-windows, entrances and exits, arrangement of fixtures and equipment, location of merchandise, location and arrangement of displays and other questions relating to planning for selling effectiveness and operational efficiency"¹. Success of the modern method of retail selling is closely linked with the display which the retailer puts on outside as well as inside the shop.

Store lay out is one of the most neglected aspects of the working of consumer cooperatives in the State. With the exceptions of Department Stores at Jammu and Baramulla, the other Department Stores present a ghastly picture of their lay-out outside as well inside the stores. Apart from affecting desirable changes in their present lay outs, it is also suggested that all the consumer cooperatives in the State should have a uniform pattern with respect to the styles of interior lay out and colour and lettering scheme for shop fronts.

IV SALESMANSHIP :

The man immediately associated with the sale of the goods is the crucial or key force determining the volume of sales and

1. Staermose, Robert. "Management of Urban Cooperative Consumers' Societies"-Cooperative Institute of Management, West Pakistan Cooperative Union Ltd., Lahore, 1964, p.310.

building up the good-will of the store. The spectrum of the consumer cooperative edifice is permeated through salesman on to the customers and the general public. It is recognised that "in a cooperative one quality in a salesman is more important than all others; he must feel sympathy with the members and he must have a deep understanding of their way of living and of their problems; he must be willing to express such sympathy and understanding in unrelenting service, his behaviour should be permeated by helpfulness; it should be marked by civility to every one and servility to none."¹

The study conducted by me reveals that much is required to be improved in this sphere of business activity. Practically nothing has been done to improve the quality of the salesman and, therefore, he exhibits complete detachment from the objectives and policies of the store. It is suggested to make him conversant with not only the techniques of effective salesmanship but also the philosophy of cooperation. It is also suggested to introduce 'work incentive' schemes with the view to improve his job efficiency.

V SALES PROMOTION :

It is continuous unending effort to devise new techniques in order to accelerate sales and strengthen patronage of the store.

1. Ibid - p.314.

With the view to realise these two objectives, the society adopts at different times the various forms of advertising and publicity, propaganda through visual and oral media, member education etc. One of the most important pre-requisites for the success of sales promotion programme is that it should be undertaken in accordance with a fairly comprehensive plan covering a long period of time. The short period approach to the sales promotion programmes adopted in a haphazard way on the spur of stray ideas shall be self-defeating. The sales promotion measures, in the ultimate analysis must aim at educating the consumer with the view to rationalise his consumption pattern for, an enlightened and awakened consumer is the surest guarantee for the success of consumer cooperatives. However, amidst constant barrage of advertising from competitors, the task of educating the consumer in money management and consumership has become extremely difficult. Cooperative advertising, because of its truth content and informative value, therefore, has the onerous responsibility of erasing the obnoxious influences of misleading advertisements of the competitors and also simultaneously focussing the attention of consumers on the philosophy of cooperation. Such measures as price marking and price displays, attractively packed articles with assured weight and quality etc. shall create confidence among customers and act as powerful stimulus for pushing up the sales.

The Consumer education sphere of sales promotion programme has woefully been neglected by the consumer cooperatives operating in the State, therefore, an idea of establishing a cooperative club" suggested earlier in this work, is again revived here. It is also desirable to arrange once a month, "special sales" of a few selected commodities for, it is not only helpful in increasing the sales but also in communicating the cooperative message.

STOCK VERIFICATION AND AUDITING :

Physical verification means the counting and evaluation of the stock on hand at the retail prices and is considered essential:-

- (i) to prepare the balance sheet and profit and loss account ;
- (ii) to enable the manager to give better service to the customers and to clear out slow turnovers and obsolescent goods;
- (iii) to rationalise the assortment and stock in hand with respect to customer demand so as to achieve better economy;
- (iv) to determine the shortage and overage of the different types of commodities in terms of money or quantity units.

Stock verification since, affords an opportunity to assess the efficiency of the personnel in administering the property entrusted to them, therefore, it should be organised properly and carefully and should be undertaken frequently with the view to correct deficiencies and enhance operational efficiency of the consumer cooperative.

Auditing of the accounts of consumer cooperative is consisted of checking and controlling the use of finance by the society. Checking of accounts reveals the manner in which the business records by the society are maintained while, controlling helps to detect the errors of omission and errors of principle. The errors of these types originate due to the neglect and/or dishonesty on the part of the personnel, managing the operations of the store. Auditors also make an assessment regarding the consistency of business practices adopted by the store with the principles and policies of sound business management. In order, therefore, to have an insight in the operations of the store, the management should devise a system of regular and continuous auditing by appointing the internal auditors and the public auditor.

There is a complete absence of an arrangement for frequent stock verification and auditing of the consumer cooperatives in the State. Public auditing is performed by the staff of the Registrar of Cooperative Societies and the instances of long delays are not infrequent which in turn defeats the very objective of auditing. The maintenance of stock and accounts registers by the stores is faulty and confusing. It is, therefore, suggested that a system of internal stock verification and

auditing be devised immediately. The consumer cooperatives are also suggested to adopt Management Accounting System as suggested by Robert Stairmose¹ for, it is simpler, more accurate, less time consuming, more informative and less costly to operate than the traditional double compartmental system.

CONCLUSION :

Effectiveness of the consumer cooperative as an economic enterprise and also as the disseminator of social philosophy depends exclusively upon its operational efficiency which in turn is the function of multiplicity of factors. To overcome many of the bottlenecks which impede efficiency of these enterprises, it is recommended that apart from enlightening^{The} membership thorough cooperative education, these organisations should introduce the system of financial planning in order to streamline the relationship between the demand for and supply of finances. To get rid of the vested interests, from the management of the consumer cooperatives, the recent Amendment in the Cooperative Act of Jammu and Kashmir State restricting the term of the office bearers to three years is a step in the right direction. Restoration of democratic management of the stores in the State is also essential for the revival^V of faith in the consumer cooperatives. Through the

1. Stairmose, Robert, A Scheme, "Accounts and Controls in Multishops Consumers' Cooperatives" August, 1966. Ministry of Food, Agriculture, Community Development and Cooperation, Govt. of India, New Delhi.

adoption of budgeting technique and rationalisation of purchasing and selling operations, the efficiency of the stores would be accelerated. Promotion of information campaigns, the establishment of research and planning centres and similar other measures can also revitalise the cooperative movement to surmount its present difficulties. In order to have critical and objective assessment of the operational efficiency of the consumer cooperatives, it is imperative to standardise the procedure of book-keeping, forms of account books, vouchers, names of accounts and various other statements so that the data could be processed into reliable and comparable totals, averages and ratios. In short much of the deficiency can be reformed through organisational and operational techniques mentioned in this chapter.

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APPENDIX A

**DISTRICT-WISE DENSITIES OF POPULATION
(Per sq. mile)**

DISTRICT	1961 Density	1941 Density (adjusted population)
Anantnag	312	251
Srinagar	531	412
Baramulla	238	199
Ladakh	2	2
Doda	61	46
Udhampur	147	122
Jammu	414	343
Kathua	203	174
Poonch	193	192

**SOURCE : Census of India, 1961, Vol. VI, Part I-A(1)
General Report, P.155.**

APPENDIX 3A

STATE INCOME AT 1955-56 PRICES IN THE DIFFERENT SECTORS OF THE ECONOMY

Sector	1950-51	1955-56	1960-61	1961-62	1962-63	1963-64	1964-65(revised)	(Fig. in crore Rs.)		
								1965-66	1966-67	1967-68 1968-69
Agriculture	26.06	33.74	40.84	42.28	42.51	42.05	42.82	38.99	44.39	45.52 46.92
Mining Manufactures and small Industries	13.53	15.47	20.18	20.60	21.36	22.05	22.16	22.19	23.45	24.17 24.68
Communication and Transport	3.35	6.89	7.65	7.77	8.04	8.18	6.30	8.61	9.22	9.51 9.87
Other Services	9.60	11.87	17.37	18.35	19.36	20.41	21.65	25.23	29.51	32.67 36.91
Total	55.54	67.97	86.04	89.00	91.27	92.69	94.83	95.02	106.57	111.87 118.38
Total Population (Lakh Nos.)	29.48	31.40	34.06	34.66	35.28	35.92	36.58	37.26	38.02	38.80 39.58
Per capita Income (Rs.)	188.41	216.48	252.60	256.79	258.70	258.05	259.24	255.02	280.30	288.32 299.09
Index No. of net output with 1950-51 as base	100.00	122.38	184.92	160.24	164.33	166.69	170.74	171.08	191.88	201.42 213.14
Index No. of per capita income with 1950-51 as base	100.00	114.90	134.07	130.29	137.31	136.96	137.59	135.35	148.77	153.03 158.74

Source:- Digest of Statistics, 1968-69. Directorate of Economics and Statistics Jammu and Kashmir Government, 1970 pp. 302-311.

APPENDIX C

LAND UTILISATION PATTERN OF THE STATE

(Figures in 000 acres)

Year	Total area according to Village Papers	Forest	Not available for cultivation.											Other cultivated land excluding current fallows		Land under Cultivable Total		Fallow Lands		Total
			Land put to non Agricul- ral uses.	Barren & unculti- able land	Permanent pastures & other grazing land	Land & trees	Miscellaneous crops & gro- ves not inc- luded in net area sown	Culti- vable	Total	Fellow ows	other than current fallows	Fallow ows	rent tal							
1	2	3	4	5	6	7	8	9	10	11	12	13	14							
1955-56	5923	1398	679	826	1305	326	80	294	700	221	282	503	151							
1960-61	5969	1674	699	657	1356	299	321	400	1020	28	267	295	161							
1965-66	5974	1659	682	669	1351	309	298	361	968	38	291	329	164							

Source:- Digest of Statistics, 1968-69, Directorate of Economics and Statistics, Government of Jammu and Kashmir 1970, pp 35-36.

SIZE OF HOLDINGS

Size	Proprietary		Occupancy		Protected		T		E		N		A		N		C		Y	
	Area		Area		Area		Fixed term		Area		Lands.		No.		No.		No.		Area	
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Below 1 acre	6,05,949	3,04,349	1,02,982	42,072	1,76,166	75,942	8628	3105	1,98,021	67,369										
1 acre to less than 2 acres.	2,16,588	3,09,765	22,056	31,468	28,964	53,120	1010	1393	33,295	44,451										
2 acres to less than 3 acres.	1,14,026	2,75,963	9,673	22,743	13,351	30,944	278	636	12,883	29,934										
3 acres to less than 4 acres.	63,833	2,17,084	4,960	17,264	6,422	25,151	115	374	5,775	22,991										
4 acres to less than 5 acres.	40,302	1,81,182	3,810	12,339	3,455	15,282	46	195	3,021	13,173										
5 acres to less than 6 acres.	26,508	1,42,477	1,773	9,590	1,834	10,066	16	86	1,372	7,359										
6 acres to less than 7 acres.	18,442	1,16,859	1,151	7,483	1,172	7,547	3	20	816	5,301										
7 acres to less than 8 acres.	13,030	96,846	785	5,795	635	4,753	4	28	480	3,548										
8 acres to less than 9 acres.	10,147	84,808	526	4,436	380	3,211	1	8	284	2,459										
9 acres to less than 10 acres.	7,192	70,377	312	2,941	298	2,782	2	19	152	1,420										
10 acres to less than 11 acres.	6,046	63,087	194	2,031	151	1,578	1	10	99	1,035										
11 acres to less than 12 acres.	5,054	58,159	169	1,932	84	965	-	-	148	1,699										
12 acres to less than 16 acres.	9,709	132,318	232	3,135	124	1,680	2	25	87	1,176										
16 acres to less than 20 acres.	6,017	1,08,470	231	4,034	55	922	1	16	29	508										
20 acres to less than 22½ acres and above.	3,253	71,821	32	687	3	62	-	-	6	129										
	7,232	3,69,042	36	1,277	6	173	-	-	26	1,003										
Total:	11,53,328	2602607	147922	169227	243090	234178	10,107	5,915	2,56,495	2,03,555										

(Contd.)

APPENDIX E

Total Area Sown Under Different Crops

Particulars	1955-56	1960-61	1965-66
Rice	455	560	525
Wheat	371	425	380
Barley	52	51	39
Jawar	1	1	2
Bajra	47	44	40
Ragi	-	17	-
Maize	502	534	629
Other foodgrains including pulses and millets	191	182	169
Fruits and Vegetables	43	51	54
Other food crops	2	2	-
Oil Seeds	92	79	95
Sugarcane	8	4	5
Condiments and spices	5	4	3
Fibres	10	6	5
Dyes and tanning material	-	2	3
Drugs and Narcotics	2	2	2
Other non-food crops	34	335	45
Area cropped more than once	323	377	328
Total Area cropped	1840	2000	1996
Net area Sown	1517	1623	1668

Sources:- Digest of Statistics, 1968-69. Directorate of Economics and Statistics Jammu and Kashmir Government of 1970 pp. 37-38

T e n a n c y		Allottees		Allottees of lands owned by evictees.	
At will under State		Allottees of State Lands			
No:	Area	No:	Area	No:	Area
12	13	14	15	16	17
58,481	26,109	9,256	6,695	10,015	11,568
11,954	17,382	2,263	6,220	3,621	16,293
4,438	10,716	1,150	5,712	2,877	20,542
1,992	6,431	832	5,355	1,652	21,949
1,035	4,556	788	4,775	1,542	19,725
729	3,991	307	2,333	1,711	20,595
306	1,961	202	1,981	675	10,825
230	1,773	69	630	182	6,064
131	1,106	13	203	123	4,572
8	1,025	11	120	129	1,497
47	484	10	668	24	1,457
134	1,517	6	71	16	216
75	1,053	1	26	21	365
40	662	1	34	17	123
11	233	-	-	21	224
98	3,979	-	-	2	544
79,909	82,978	14,909	34,828	22,658	1,34,969

ABSTRACT

Minimum, maximum and average size of holdings.
in Acres, Kanals and muddas

Tenure	Minimum	Maximum	Average
(a) Ownership	6-0-0	56-1-3	2-1-2
(b) Tenancy	0-4-5	50-0-6	1-0-10

Source:- Report of the Land Commission, Government of Jammu & Kashmir, 1968.
Table No. 3.

APPENDIX F

STATE PLAN PROVISION AND EXPENDITURE

(Rs. in Lakhs)

Head	1st Plan		2nd Plan		3rd Plan		1966-67		1967-68		1968-69	
	Provi sion	Exp.	Provi sion	Exp.	Provi sion	Exp.	Provi sion	Exp.	Provi sion	Exp.	Provi sion	Exp.
1	2	3	4	5	6	7	8	9	10	11	12	13
Agriculture	61.49	52.00	523.74	267.11	758.21	506.66	306.66	188.55	335.68	385.05	444.80	447.19
C.D. and Co-operation	-	36.98	228.78	360.02	503.08	417.31	154.43	76.22	105.00	76.06	101.00	104.37
Irrigation and Power	563.76	438.14	568.59	451.73	2159.69	1612.63	555.00	586.94	610.00	654.57	642.98	707.40
Industries and Mining	83.12	66.48	341.24	218.18	1020.75	860.08	185.52	98.57	147.90	103.74	154.00	151.43
Transport and Commu- nication	305.83	305.90	665.00	516.05	1091.43	1028.67	289.00	268.61	358.00	343.36	345.00	372.21
Social Service	223.97	178.05	813.14	613.48	1624.81	1480.59	362.67	332.55	348.10	353.28	397.72	423.44
Miscell- aneous	35.98	24.15	251.48	167.60	355.47	279.15	111.73	140.80	100.32	126.97	84.50	87.22
Total	1274.15	1151.71	3392.07	2594.75	7514.44	6185.09	1966.01	1692.24	2025.00	2043.03	2170.00	2293.26

Source:- Digest of Statistics, 1968-69. Directorate of Economics and Statistics
Jammu and Kashmir Government 1970 pp. 299-302.

APPENDIX G

CONTRIBUTION OF FORESTS TO STATE REVENUE

(Rs. in Lakhs)

YEAR	Gross State Revenue Receipts	Contribution from Forests	Contribution from forests as %age to the gross State Revenue Receipts.
1950-51	412.20	49.66	12.0
1955-56	608.73	101.41	16.6
1956-57	741.31	176.29	23.7
1960-61	1572.41	361.61	23.0
1965-66	3167.27	314.80	9.9
1966-67	4855.56	406.60	8.4
1967-68	4575.30	393.13	8.6
1968-69	5560.99	435.47	7.8

SOURCE : Compiled by the author on the basis of the information given in "Digest of Statistics" Directorate of Economics and Statistics, 1968-69 Government of Jammu & Kashmir, 1970 Pp.284-287.

APPENDIX H

**WORKING OF THE STATE COOPERATIVE BANK (1965-66 to
1968-69)**

(Amount in Rs. '000)				
PARTICULARS	1965-66	1966-67	1967-68	1968-69
Membership :				
(a) Cooperative Societies	626	642	664	668
(b) Individuals	89	87	87	86
(c) Total	715	729	751	754
2. Paid-up Share Capital:				
(a) Cooperative Societies	814	859	867	876
(b) Individuals	45	45	45	45
(c) Government	800	800	800	800
(d) Total	1659	1704	1712	1721
3. Deposits	2639	4280	6814	6635
4. Borrowings	11131	14312	158500	10838
5. Working Capital	15832	21837	25013	20132
6. Loans Outstanding	13829	15646	18101	13483
of which overdue	7654	1695	3261	5278
7. Loans Advanced	24652	31567	31501	31161
8. Recoveries made	25240	29860	29046	35779
9. Balance Due	11058	14750	18101	13482
10. Net Profit	314	318	328	323

SOURCE : Annual Administration Reports on the working of Cooperative Societies in Jammu & Kashmir State for the years 1965-66, 1966-67, 1967-68 and 1968-69.

APPENDIX I

Working of the Central Co-operative Banks (1967-68 and 1968-69)

(Amount in 000)		
Particulars	1967-68	1968-69
1. Membership		
a) Societies	1,589	1,630
b) Individuals	342	340
2. Paid up share capital		
a) Government	500	500
b) Societies	1,326	1,436
c) Individuals	87	87
Total	1,912	2,023
3. Deposits	7,684	9,969
4. Reserve fund	606	892
5. Borrowings	19,541	14,554
6. Working capital	20,967	27,439
7. Investment	2,275	4,152
8. Loans recovered	46,678	39,933
9. Loans recovered	40,569	41,878
10. Loans outstanding	22,397	19,914
of which over due	6,302	8,941
11. Cost of Management	604	939
12. Net Profit	106	250

Source : Compiled by the author on the basis of the information given in "Annual Administration Reports for the year 1967-68 and 1968-69", Co-operative Department, Government of Jammu & Kashmir.

APPENDIX J

Progress of Primary Agricultural Co-operative
Credit Societies (1965-66 to 1968-69)

Particulars	1965-66	1966-67	1967-68	1968-69
1. No. of societies	960	989	1,059	1,086
2. Membership (Lakh nos.)	2.72	2.78	2.77	2.66
3. Total share capital (lakh Rs.)	43.56	44.83	48.17	49.36
of which Govt. share (lakh Rs.)	10.31	10.46	10.46	10.70
4. Villages covered	5,634	5,646	5,742	5,864
5. Working capital (lakh Rs.)	284.25	421.71	739.05	696.12
6. Advances to members (lakh Rs.)	60.01	119.52	376.22	289.23
7. Recoveries (Lakh Rs.)	35.68	48.95	298.15	333.68
8. Loans outstanding (lakh Rs.)	-	-	306.43	262.01
9. of which overdue (lakh Rs.)	-	-	108.28	81.84
of which bad and doubtful (lakh Rs.)			7.54	7.06
9. Reserves (lakh Rs.)	11.20	12.41	11.38	15.05
10. Deposits (lakh Rs.)	7.02	3.08	8.29	10.01

Source : "Annual Administration Reports for the years 1965-66, 1966-67, 1967-68 and 1968-69 on the working of Co-operative Societies in Jammu and Kashmir, Co-operative Department, Government of Jammu and Kashmir.

APPENDIX K

Progress of Primary Agricultural Credit Societies

(1948-49 to 1968-69)

Year	Member- ship (No.)	Owned funds (Rs.)	Working capital (Rs.)	Owned funds as a percentage to the working capital	(Figures in lakhs)		
					Owned funds per member (Rs.)	Working capital per member	
1	2	3	4	5	6	7	
1948-49	.22	1.10	2.57	42.8	5	11.7	
1949-50	.56	2.63	8.29	31.7	4.7	14.8	
1950-51	.91	4.82	14.57	33.1	5.4	16.0	
1955-56	1.98	10.86	37.66	28.8	7.9	27.3	
1960-61	2.26	32.98	160.87	20.5	14.6	71.2	
1965-66	2.71	54.76	284.25	19.2	20.2	104.9	
1966-67	2.75	65.28	420.71	15.5	23.7	153.0	
1967-68	2.77	70.40	739.05	9.5	25.4	266.8	
1968-69	2.66	76.92	686.12	11.0	28.9	261.7	

Source:-1. "Statistical Digest - 1959". Co-operative Movement in Jammu & Kashmir, Registrar, Co-operative Societies. Third Edition p. 1

2. "Digest of Statistics 1968-69". Directorate of Economics and Statistics, Govt. of Jammu & Kashmir, 1970, p. 77.

APPENDIX L

Working of the Central Land Development Bank Ltd.
1965-66 to 1968-69

Amount in Rs.0000)

Particulars	1965-66	1966-67	1967-68	1968-69
1. Membership :				
a) Regular	5,019	5,988	5,873	13,365
b) Nominal	2,090	2,719	5,853	8,130
2. Paid up share capital				
a) Government	300	300	300	1,000
b) Individual and others	<u>128</u>	<u>212</u>	<u>394</u>	<u>691</u>
Total	<u>428</u>	<u>512</u>	<u>694</u>	<u>1,691</u>
3. Borrowing	<u>1,400</u>	<u>2,900</u>	<u>5,378</u>	<u>9,967</u>
4. Working capital	1,828	3,454	7,688	14,836
5. Loans outstanding of which overdue	1,601 20	2,739 8	6,332 25	11,220 34
6. Loans advances (purpose wise)	453	1266	3825	5401
a) For debt redemption	25	23	67	10
b) For purchase of land	27	63	92	"
c) For purchase of tenancy right	"	"	"	43
d) For land improvement	331	940	222	61
e) For sinking/repair of wells	31	34	85	112
f) For purchase machinery	39	226	414	744
g) For other purposes	-	-	-	166
h) For development of Horticulture	-	-	2945	4265

Source : Annual Administration Reports for the years 1965-66 1966-67, 1967-68 and 1968-69 on the working of cooperative societies in Jammu and Kashmir State". Co-operative Department, Government of Jammu and Kashmir.

APPENDIX M

The Pattern of financial assistance under the Centrally Sponsored Scheme for consumer cooperatives

1. Wholesale stores

- (a) Share capital contribution (to be released
as soon as the wholesale store has raised
a subscribed capital of Rs.1 lakh and paid
up capital of Rs.20000) Rs. 1 lakh
- (b) Block capital for purchase of trucks
and construction of godowns (75% loan
and 25% subsidy) Rs. 1 lakh
- (c) Managerial subsidy spread over a period
of 3 to 5 years (out of this, an amount
exceeding Rs.4000 may be made available
during the first year) Rs.10,000

2. Primaries/branches of wholesale stores

- (a) Share capital (on matching basis) Rs. 4,000
(Rs 10,000 in exceptional cases)
- (b) Managerial subsidy spread over
period of 3 to 5 years Rs. 2,000
(out of this an amount not exceeding
Rs.1000/- may be made available
during the first year)

Source : Annexure to Letter No.1-4/66-cc, dated July 11,1966
Ministry of Food, Agriculture, Community Development
and Cooperation (Department of Cooperation) Govern-
ment of India.

3. Spill over Subsidy

For the wholesale stores and primary stores/branches set up during 1965-66 and earlier years the spill over of managerial subsidy would be available on the pattern of assistance indicated above.

4. Department Stores

A- For metropolitan towns

- (a) Additional share capital for starting a department store Rs. 10 lakhs
- (b) Loan cum subsidy/fixtures and fittings (75% loan and 25% subsidy, subject to actuals) Rs. 7 lakhs
- (c) Managerial subsidy (of which an amount not exceeding Rs. 15000 was to be available during the year) Rs. 0.25 lakhs

B- For towns with population between 5 lakhs and 10 lakhs.

- (a) Additional share capital for starting a department store Rs. 5 lakhs
- (b) Loan cum subsidy for furniture fixtures and fittings (75% loan, 25% subsidy, subject to actuals) Rs. 3 lakhs
- (c) Managerial subsidy (of which an amount not exceeding Rs. 15000 was to be made available during the first year)

C - For towns with population between 2 lakhs and 5 lakhs :-

- (a) Additional share capital for starting a department store Rs. 3 lakhs
- (b) Loan-cum-subsidy for furniture, fixtures and fittings (75% loan and 25% subsidy, subject to actuals) Rs. 3 lakhs
- (c) Managerial subsidy (of which an amount not exceeding Rs.15000 was to be made available during the first year) Rs.0.25 lakhs

5. State Federations

Additional share capital on the matching basis(subject to a total of Rs.3 lakhs including the initial contribution of Rs.2 lakhs) Rs. 3 lakhs

6. Additional cost of Strengthening the administrative and Supervisory Staff

Cost of Additional Staff at the rate of one Assistant Registrar for four wholesale stores along with 2 senior inspectors per Assistant Registrar was to be met by the Government of India.

APPENDIX N

PROGRESS OF THE CENTRAL/WHOLESALE STORES (1962-63 to 1968-69)

Position at the end of the year	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69
1. No. of Stores							
(a) Organised	100	196	237	252	345	351	371
(b) No. of reporting - progress	-	-	-	228	313	341	365
2. Membership	.96	2.33	5.69	-	-	-	-
(a) Individuals (in lakhs)				4.18	6.66	8.16	8.71
(b) Primary Stores (Nos.)				5933	7052	8014	7603
(c) Other Societies/ institutions					7377	7337	12355
3. No. of branches	299	832	1433	1936	2419	2603	2472
4. Paid up share Capital (Rs. crores)							
(a) Membership contribution				1.80	2.66	3.45	3.54
(b) Government Contribution				2.20	4.55	6.70	7.24
(c) Total	0.64	1.82	3.12	4.00	7.21	9.15	10.78
5. Working Capital (Rs. crores)	1.85	6.29	18.42	16.42	21.74	27.20	33.12
6. Total value of sales (Rs. crores)	8.60	27.53	103.06	143.52	173.65	171.10	160.20

- Sources: a) Cooperative Movement in India-Important Statistics 1966-67 Part II; Non-credit Sector, Government of India, Ministry of Food, Agriculture, Community Development and Cooperation Department of Cooperation) January, 1969, P.22
- b) Proceedings and Agenda Notes-Annual Conference of the State Ministers of Cooperation at Bangalore, 1969, Ministry of Food, Agriculture, Community Development and Cooperation Department of Cooperation) Government of India P.177.
- c) NCCF Management Service National Cooperative Consumers' Federation Ltd. November 1970, Pamphlet No.25

APPENDIX O

Table No.

WORKING OF PRIMARY CONSUMER COOPERATIVE
SOCIETIES

1965-66 to 1967-68 (Rs. in crores)

Particulars	1965-66	1966-67	1967-68
1. No. of stores in profit.	6709	6834	6136
2. Amount of profit	2.15	2.24	2.67
3. No. of stores in loss	2763	3233	4163
4. Amount of loss	0.79	1.12	1.29
5. Gross profit in percent of total sale	3.8	3.7	4.7
6. Cost of management in percent of total sales	3.0	3.1	3.9
7. Out of which salaries costs	2.0	1.9	2.4
8. Total liabilities	27.65	32.68	34.24
9. Total assets	29.30	34.36	36.09
10. Value of outgoing stock (cost price)	9.79	11.25	11.40
11. Stock turnover	17 times	17 times	16 times
12. Amount outstanding under credit sales	2.42	3.66	3.89

Source : NCCF Management Service National Cooperative Consumers' Federation Limited, New Delhi
December, 1970.

APPENDIX - 2

SHINAGAR COOPERATIVE WHOLESALE LIMITED SRINAGAR
BALANCE SHEET as on 30th June, 1966

Capital & Liabilities	Amount	Total	Assets & Property	Amount	Total
Share Capital:-					
Authorised			Fixed Asset:-		
100 A Class shares of Rs.500 each	50,000.00		Dead stock at cost	4,681.56	
100 B class shares of Rs.100 each	10,000.00		Less depreciation.	<u>481.44</u>	4,200.12
200 C class shares of Rs.500 each	1,00,000.00		Current assets loans & Advance As per schedule.		3,38,555.12
1000 D class shares of Rs.10 each	<u>10,000.00</u>	1,70,000.00	Net loss for the period as per Trading & profit & loss Account		12,530.11
Issued:-					
33 A class shares of Rs.500 each	19,000.00				
63 B class shares of Rs.100 each	1,00,000.00				
10 D class shares of Rs.10 each	<u>100.00</u>	<u>1,25,400.00</u>			
Subscribed & paid up:-					
38 A class shares of Rs.500 each	18,035.00				
63 B class shares of Rs.100 each	1,165.00				
200 C class shares of Rs.500 each	1,00,000.00				
10 D class shares of Rs.100 each	<u>100.00</u>	<u>1,19,300.00</u>			
Government Loan (for purchase of Truck and Construction of Godown)		25,000.00			
Un-secured Loan (J.K State State Coop Bank Ltd.Srinagar)		1,14,858.75			
Current Liabilities and Provision As per schedule.					

21,526.62
3,55,285.35

3,55,285.35

APPENDIX - Q

OFFICE OF THE SRINAGAR COOPERATIVE WHOLESALE LIMITED SRINAGAR KASHMIR
BALANCE SHEET AS ON 31-10-1967

LIABILITIES	ASSETS	
To	By	
Capital Account.	Cash in hand	1,930.89
Government.	Stock.	10,14,962.12
	Saving Bank	72,000.00
<u>Loan</u>	Shares.	4,745.75
Furniture & Fixture.	<u>Fixed Assets.</u>	
	Furniture & Fixture.	22,088.34
Godowns & Truck.	Jeep Vain	<u>48,259.51</u>
Subsidy for godown & Int.	Prime Stores.	70,383.85
Bank Cash Credit	Goods in Transit	37,892.63
Deposit.	Goods in Consignment	941.01
Supplies	Loss 1965-66	158.15
K.P.C.S.	Loss ending	
Sandries	31.10.1967	<u>10,313.81</u>
Interest Payable.		2,22,843.92
		<u>14,25,858.32</u>
	Total:-	
		<u>14,25,858.32</u>

Source: By courtesy of the Office of the Manager Srinagar Consumer Cooperative Store, Srinagar.

OFFICE OF THE SRINAGAR CO-OPERATIVE WHOLESALE LIMITED SRINAGAR KASHMIR.

BALANCE SHEET AS ON 31.6.1968.

<u>LIABILITIES.</u>		<u>ASSETS</u> By.	
Capital Account	4,31,915.00	<u>Fixed Assets.</u>	
<u>Loan</u>		Furniture & Fixture	73,222.32
Government	1,79,039.98	Jeep Truck.	<u>22,088.34</u>
Bank Cash Credit	7,28,060.11		<u>95,310.66</u>
Interest Payable	<u>24,206.52</u>	Less Depreciation	<u>2,368.00</u>
<u>Others.</u>			92,922.66
Suppliers.	1,96,837.69	Advance Against Supplied.	88,635.64
Sundries.	55,428.11	Sundries. Debtors.	15,233.55
Employers	4,939.33	Primeries & other Govt:Offices.	67,800.97
Deposit Account.	700.00	Deposit Account.	695.75
	2,57,905.13	Share Purchase	4,050.00
		Shortages recoverable.	64,025.00
		Interest recoverable.	8,333.33
		Insurance prepaid	<u>2,580.00</u>
			2,51,355.14
		<u>Stocks.</u>	
		Stock in trade.	9,78,483.59
		Stock in Transit.	<u>10,008.12</u>
			9,88,491.71
		<u>Cash & other Balance</u>	
		Cash in hand.	2,936.68
		Fixed Deposit account	58,148.53
		Impress account	<u>350.00</u>
			61,435.21
		Losses B.F.	<u>2,22,843.92</u>
			226,922.02
			<u>Rs. 16,21,126.74</u>
	<u>Rs. 16,21,126.74</u>		

Source: By courtesy of the Office of the Manager, Co-operative Wholesale Store Ltd. Srinagar.

SRINAGAR COOPERATIVE WHOLESALE LIMITED SRINAGAR KASHMIR.
BALANCE SHEET AS ON 30th June, 1969

<u>LIABILITIES</u>		<u>Assets.</u> <u>By/fixed</u> <u>Asset.</u>	
<u>TO Subscribed and</u> <u>paid up capital</u>		Dead stock at cost	1,09,830.42
Government Share Contribution	4,00,000.00	Less depreciation.	10,982.98
Own capital	33,425.00	4,33,425.00	98,847.44
<u>Government Loan.</u>		Current assets:	
(For purchase of Truck construction of Godown & setting up of Department Store)		Stock in Trade as per audit report	9,17,982.77
<u>Unsecured Loan</u> J&K State Cooperative Bank Srinagar)	1,79,039.98	<u>Sundry Debtors(Unsecured)</u>	15,038.19
<u>Sundry Creditors.</u>		For Service and Advances.	22,711.81
For Goods.	2,11,305.86	Shortages Recoverable.	94,600.24
For expenses	85,866.15	Consumer Stores & Govt. Office.	1,14,948.81
<u>Others</u>			2,32,260.86
Employees Provident fund.	6,422.90	<u>Deposits</u>	
Employees Security fund.	3,594.91	Share Purchase.	4,050.00
Deposit A/C	700.00	Security Deposit	695.75
Suspence	2,498.11	<u>Profit and loss A/C</u>	
<u>Payable</u> Electrical		Previous loss	2,26,922.02
		Loss brought forward from P&L A/C.	1,88,017.37
		<u>Repairs.</u> Insurance.	4,14,939.39
		<u>Cash and Bank Balance</u>	
		Cash in hand.	8,690.88
		J&K Bank Srinagar (Provident fund) A/C.	4,478.40
		Impress A/C S. Bazar	360.00
		Bills under collection.	112.50
			13,631.78
	Rs. 17,02,055.10		Rs. 17,02,055.10

Source:- By courtesy of the Office of the Manager Srinagar Consumer Cooperative Wholesale Store, Srinagar.

APPENDIX T

OPERATIONAL EXPENSES OF THE SRINAGAR COOPERATIVE WHOLESALE LIMITED
SRINAGAR

Particulars	1965-66	1966-67 (upto 31.10.67)	1967-68	1968-69
1	2	3	4	5
Salaries	10893.68	102683.24	55496.56	75493.87
Interest	965.00	49255.01	24206.52	44763.79
Rent	5467.73	49774.22	17726.68	55435.48
Insurance	584.14	11324.86	3587.78	8420.45
Sales Tax	-	20329.49	9610.62	-
Electricity	-	-	-	2580.00
Contingencies	1635.22	10119.43	4043.43	15121.75
Printing & Stationery	781.01	-	8147.39	4991.30
Rebate & Commission to Salesman Fair Price Shop	-	-	-	4073.21
T.A.	689.61	2797.50	1487.31	1211.21
Entertainment	-	2293.49	657.55	643.80
Advertisement	-	2623.98	370.00	561.75
Postage & Telephones	113.45	16277.08	1436.10	127.30
Remuneration to Chartered Accountant	-	-	-	920.00
Audit Fund	-	-	-	303.50
Depreciation	481.00	15522.00	2382.00	19982.98
Total	23776.10	283374.86	129883.87	231330.38

Source:- Statement of Profit and Loss Account of Srinagar Cooperative Wholesale Limited, Srinagar for the period from 1965-66 to 1968-69.
By courtesy of the office of the Manager Cooperative Wholesale Limited Srinagar.

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